



Commonwealth of Massachusetts

Department of Revenue

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2002 Massachusetts Fiduciary Income Tax **Form 2**

All Schedules and Instructions

Definitions

1. **A resident fiduciary:**

- a. is a resident of or has its usual place of business in Massachusetts; or
- b. is the executor or administrator of an estate of a deceased person who was a resident at the time of death; **and**

acts under an instrument created by the person who:

- a. at the time of creation of the instrument was a resident of Massachusetts; or
- b. is a resident at any time during the year in which income is received by the fiduciary under the instrument; or
- c. died as a resident of Massachusetts.

2. **Massachusetts source income is income derived from or effectively connected with:**

- a. any trade or business, including any employment carried on by the taxpayer in the Commonwealth; or
- b. the participation in any lottery or wagering transaction within the Commonwealth; or
- c. the ownership of any interest in real or tangible personal property located in the Commonwealth.

3. **Massachusetts resident beneficiaries are:**

- a. **Beneficiaries who reside in Massachusetts.**
- b. **Unborn persons:** Where income of a trust subject to the taxing jurisdiction of Massachusetts is being accumulated for persons unborn, such income is taxable to the trust.

***Example:** By the terms of a trust subject to the taxing jurisdiction of Massachusetts, income is payable to Jody Taxpayer, a resident of New Hampshire for life, with remainder to Jody's children. During a year in which Jody has no children, the trust realizes gains on the sale of securities. Such gains are taxable to the trust in their entirety.*

- c. **Unascertained persons:** Where income of a trust subject to the taxing jurisdiction of Massachusetts is being accumulated for unascertained persons, such income is taxable to the trust. The term "unascertained persons" refers to a class of persons who cannot be identified with certainty until the happening of a special event. The term also applies to those of a class who fulfill some special qualification.

***Example:** By the terms of a trust subject to the taxing jurisdiction of Massachusetts, income is payable to A, B and C, in equal shares, with remainder in equal shares to each as he/she attains the age of 30. The share of any who die under age 30 is to be added to those of the survivors. Here it cannot be ascertained who will take the remainder until all of A, B and C have either attained 30 or died before attaining that age. Accordingly, gains realized by the trust will be deemed to be income accumulated for the benefit of unascertained persons and taxable in full to the trust.*

- d. **Persons with uncertain interests:** A remainder interest in a trust which is vested and not subject to being divested by the happening of any contingency expressly mentioned in the trust instrument is not classified as an uncertain interest. Any other type of future interest such as a contingent remainder or a vested remainder subject to being cut off upon the happening of a contingency is an uncertain interest. Where income of a trust subject to the taxing jurisdiction of Massachusetts is being accumulated for a person or persons with uncertain interests, such income is taxable to the trust. For more information, see DOR Directive 94-4.

What Type of Income is Subject to Tax?

To the extent income is payable to/or accumulated for the benefit of:

Type of fiduciary and type of income:

Resident (Massachusetts) fiduciary
as to Massachusetts source income

Resident (Massachusetts) fiduciary
as to non-Massachusetts income

Nonresident Fiduciary
as to Massachusetts source income

Nonresident Fiduciary
as to non-Massachusetts source income

Massachusetts resident beneficiaries:

Income subject to tax
at the fiduciary level

Income subject to tax
at the fiduciary level

Income subject to tax
at the fiduciary level

Income subject to tax
at the beneficiary level

Nonresident beneficiaries:

Income subject to tax
at the fiduciary level

Income **not** subject to tax
if vested in a nonresident

Income subject to tax
at the fiduciary level

Income **not** subject to tax

Before You Begin

Getting Started

Step One: Gather all your records together, including your Forms W-2 (Wages), W-2G (Winnings), and any 1099 forms. Use this information to complete your U.S. return first. The information on your U.S. return will help you complete your Massachusetts return.

Step Two: Remove the forms from this booklet. Please keep the extra copy for your records; you may need information from it when you complete your return next year.

When completing your return, simply proceed line by line, reading the instructions for each line before you enter any amounts. If a line does not apply to you, enter a zero or a dash. Then, copy all information carefully onto the form you intend to file. Be sure to check your return to make sure it is correct.

Step Three: After you have checked your return, be sure to sign it. Form 2 is not considered a valid return unless it is signed. Original signatures are required or the return will not be accepted. If a payment is due, be sure to attach your payment as indicated.

Major Tax Changes for 2002

Tax Rate Lowered on Wages, Salaries, Interest, Dividends, and Certain Other Items of Income

Applicable to tax year 2002, legislation in 2000 resulting from a ballot initiative reduced the tax rate from 5.6% to 5.3% on the category of income consisting of wages, salaries, tips, pensions, Massachusetts bank interest, partnership income, business income, rents, alimony, winnings and certain other items of income.

Under current Massachusetts law, the tax rate on dividends and interest is the same as the tax rate on the category of income including wages, salaries, etc., that is more fully described above. The tax rate on dividends and interest is decreased from 5.6% to 5.3% for taxable year 2002. 12% income continues to include short-term capital gains, as well as short- and long-term capital gains arising from the

sale of collectibles and gains on pre-1996 installment sales (a 50% deduction is allowed for gains on the sale of collectibles and gains on pre-1996 installment sales).

Tax Rate on Long-Term Capital Gains Increased for Transactions Completed On Or After May 1, 2002

Tax rates for transactions completed before May 1, 2002 Transactions completed prior to May 1, 2002 must be added together and taxed under the procedures and rates in place prior to the recent amendment to the capital gains law. Under prior law, gains on the sale of capital assets (excluding collectibles) held for more than one year but not more than two years are taxed as 5% income, those held for more than two years but not more than three years are taxed as 4% income, those held for more than three years but not more than four years are taxed as 3% income, those held for more than four years but not more than five years are taxed as 2% income, those held for more than five years but not more than six years are taxed as 1% income, and those held for more than six years are taxed as 0% income.

Tax rate for transactions completed on or after May 1, 2002 In place of the six categories of gain based on six defined holding periods and taxed at six different rates (ranging from 5% to 0%), recent legislation provides for a single category of long-term capital gains consisting of any gains from the sale or exchange of capital assets (except collectibles) held for more than one year. Effective for tax years beginning on or after January 1, 2002, the legislation changes the multiple tax rates for long-term capital gains to the single tax rate of 5.3%, but only for transactions completed on or after May 1, 2002.

Limitation on Capital Loss Offset Against Schedule B Interest and Dividends

Under prior law, there was no dollar limit on the deduction of capital losses against interest and dividend income. Under the new law, the total amount of deductions for short-term and long-term capital losses against interest and dividends cannot exceed \$2,000.

Common Form 2 Mistakes

An incomplete or incorrect return can delay processing of your return. Below are tips to help us process your return as quickly as possible.

- **Incorrect computation.** Many returns must be corrected by DOR each year due to simple errors in computation. Before mailing your return, double-check your arithmetic to make sure the computations are correct.

- **Filing status.** Be sure to check the correct box in line 1, Filing Status.

- **Missing withholding statement(s).** Make certain the state copy of all Forms W-2 (Wages), W-2G (Winnings), and 1099-G or 1099-R that show Massachusetts income tax withheld are attached. These forms are frequently missing and must be obtained later from the taxpayer.

- **Missing schedules.** Make sure you have attached required schedules supporting Form 2 information — Schedules B, D, D-1, E, F, H and Forms 2G, 20 and 20A.

- **Missing signature.** Thousands of unsigned returns are received by DOR every year. These returns must be returned to the taxpayers for signatures.

General Information

Fiduciary income is subject to similar deductions, exemptions and tax rates as individual income taxed in Massachusetts. Massachusetts taxes the fiduciary entity, rather than the beneficiary. Actual tax liability is determined by the domicile of the beneficiary and the nature of the income. Income in the hands of a fiduciary retains its character and, as such, receipts which would not constitute income to an individual, such as interest on U.S. obligations, is not taxable to a fiduciary.

Trusts are classified as either grantor-type or nongrantor-type. When a grantor or another person is treated as the owner of a trust according to Sections 671 through 678 of the U.S. Internal Revenue Code (IRC), then the trust is not recognized as a separate taxable entity for income tax purposes, and the trustee files Form 2G, an information return. The grantor or other owner is required to report the income, deductions and credits of a grantor-type trust on his/her Massachusetts individual income tax return. Nongrantor-type trusts are all other types of trusts. The rules applicable to the filing of Form 2G are on the back of that form.

Massachusetts taxes nongrantor-type trusts and estates differently than the U.S. Government. The major distinctions are:

- There is no income distribution deduction. All income and capital gains, if subject to taxation, are taxed on Form 2.
- There is no shifting of tax liability by payments of income or capital gain. The adjusted gross income can be modified by subtracting any actual payments made during the taxable year of non-Massachusetts source income to a nonresident. Otherwise, there is no distribution deduction, and U.S. Schedule K-1 does not apply.
- Prior consent must be requested in order to file a return on a fiscal year basis. An application can be made on Form 13. Fiduciaries failing to obtain prior permission to file on a fiscal year basis can be placed on a calendar year basis.
- There is no distributable net income to calculate any "throwback rules."
- Taxes, legal, accounting and tax preparation fees, as well as probate administration expenses, are not deductible.
- There is no personal exemption for the fiduciary.

Who Must File a Massachusetts Fiduciary Return?

Every executor, administrator, trustee, guardian, conservator, trustee in a noncorporate bankruptcy or receiver of a trust or estate that received income which is taxable under Ch. 62 in excess of \$100 and that is subject to Massachusetts jurisdiction must file a Form 2. Fiduciaries of grantor-type trusts should see the back of Form 2G.

What Other Forms Must Be Filed?

Note: All applicable U.S. schedules, forms and attachments must be filed with Form 2. A copy of U.S. Schedule K-1 must be attached in all cases where a deduction is taken for the payment of income to a nonresident.

The Department of Revenue has developed an extensive information exchange program between the following returns:

- Form 1, Resident Income Tax Return;

- Form 1-NR/PY, Nonresident/Part-Year Resident Tax Return;
- Form M-1310, Statement of Claimant to Refund Due on Behalf of Deceased Taxpayer;
- Form 2, Fiduciary Income Tax Return; and
- Form M-706, Estate Tax Return.

Discrepancies and nonfilings, except those allowed under Massachusetts law, will be identified and may result in an audit or further investigation.

When is Form 2 Due?

Form 2 is due **on or before April 15, 2003**. If permission has been granted to file on a fiscal year basis, the return is due on or before the 15th day of the fourth month after the close of the fiscal year. Request for permission to file on a fiscal year basis is submitted on Form 13.

What Should I Do if I Make a Mistake or Leave Something Off My Return?

If after filing your income tax return you receive an additional tax statement, such as a W-2 or 1099, or discover that an error was made, submit a second tax return containing the correct information. **Clearly mark this new return "Amended" across the top and check the amended return box in line 1.** If the change reduces the tax liability, attach Form CA-6, Application for Abatement/Amended Return, and a copy of the return that you originally filed. Form 2 or Form CA-6 is available at any Department of Revenue location, or you may have one mailed to you by calling (617) 887-MDOR.

What if I Am Unable to Pay?

If you are unable to pay the full amount of tax that you owe, you should pay as much of your tax liability as possible with this return. You will receive a bill from the Department for the remaining amount of tax due plus accrued interest and penalty charges. If the amount of that bill is less than \$5,000 and you still cannot pay it in full, you must apply formally to the Department for a small payment agreement in order to avoid collection activity. Setting up a small payment agreement will allow you to make monthly payments over a set period to meet your unpaid liability.

How Do I Request An Extension?

To receive an extension of time to file, you must file an Application for Extension of Time to File Massachusetts Fiduciary, Partnership or Corporate Trust Return, Massachusetts Form M-8736, and pay the amount of tax you expect to owe on or before the due date for filing your Massachusetts income tax return. The filing and approval of this form will extend the due date for six months. Interest is charged on any tax not paid by the original due date.

If you are applying for an extension and do not expect to owe any tax or you choose to pay by Electronic Funds Withdrawal, you may file your application for extension by touch-tone telephone (see Form M-8736 instructions for more information).

Note: Your extension will not be valid if you fail to pay 80% of your total tax liability through withholding, estimated tax payments or with your Massachusetts Form M-8736. Form M-8736 is available at www.mass.gov/dor or by calling (617) 887-MDOR.

Are Charitable Trusts/Private Foundations Tax Exempt?

Funds held in trust for public charitable purposes are exempt from tax under Massachusetts General Laws (MGL), Ch. 62, sec. 3, if such income is currently payable to, or irrevocably set aside for, public charitable purposes.

Every trustee who receives income that, except for MGL, Ch. 62, sec. 3, would be taxable is required to file a return for such income on Form 2. The return must be accompanied by a copy of the most recently filed applicable federal return.

What Deductions and Exemptions Are Allowable on the Guardianship/Conservatorship Form 2?

Every deduction and exemption that an individual is entitled to take on Form 1 may be claimed by the guardian or conservator on behalf of the ward on Form 2.

Supporting documentation must be attached, including all applicable schedules from U.S. Form 1040, e.g., Schedule A, Itemized Deductions, if claiming the medical expense exemption.

Any deduction or exemption claimed must be entered and explained first on Form 2, line 19, and then in line 27 and line 35 and Schedule D, line 23 and Schedule D-1, line 2, as appropriate. Deductions may usually only be used against 5.3% income. See Schedule C-2 for the limited circumstances under which deductions may be applied against interest (other than interest from Massachusetts banks), dividends and capital gain income.

Line by Line Instructions

Line 1. Filing Status

Applicable Boxes — Check all applicable boxes. For example, if an estate were filing its first return, it would check the boxes for Decedent's Estate **and** First Return. If filing an amended return, check the box for Amended Return and write "Amended" across the top of the return. Grantor-type trusts should file Form 2G and check the Consolidated Form 2G box if also filing Form 2. See the instructions on the back of Form 2G for details. If filing on a fiscal year basis, check the box for Fiscal Year Filer and enter your fiscal year's beginning and ending dates in the appropriate line above. If you have elected to file as a Qualified Funeral Trust (QFT) on U.S. Form 1041-QFT, check the box for Qualified Funeral Trust. If you have filed a composite Form 1041-QFT for QFTs for which you are the trustee, you may also file a Form 2 for all QFTs that you are the trustee. If filing a composite Form 2 for QFTs, check the box for Qualified Funeral Trust and write "Composite QFT" across the top of the return. You must attach a schedule to a composite Form 2 that includes the following information for each QFT (or separate interest treated as a separate QFT): The name of the owner or the beneficiary. If you list the name of the owner and that trust has more than one beneficiary, you must separate the trust into shares held by the separate beneficiaries; The type and gross amount of each type of income earned by the QFT for the tax year. For long-term capital gains, identify separately the amount of capital gain by holding period; The type of each deduction allocable to the QFT; The tax and payments made for each QFT; and if the QFT was terminated during the year, give the date of termination.

Name and Title of Fiduciary — Enter the exact legal name and title of the fiduciary. In case of multiple fiduciaries, one name is sufficient.

Should I Be Making Estimated Tax Payments in 2003?

Fiduciary filers (estates or trusts) who are subject to Massachusetts' jurisdiction and owe more than \$200 in taxes on income not subject to withholding for the taxable year, are required to make estimated tax payments to the Commonwealth.

In most cases, the first payment voucher, Massachusetts Form 2-ES, must be filed on or before April 15 of the taxable year. The estimated tax may be paid in full with the first payment voucher or in four installments on or before April 15, June 15, September 15 of the taxable year and January 15 of the following year. Massachusetts Form 2-ES is available at any Department of Revenue location.

Fiscal year taxpayers must file their first payment voucher on or before the 15th day of the fourth month of the fiscal year. The estimated tax may be paid in full with the first payment voucher or in four equal installments on or before the 15th day of the fourth, sixth and ninth months of the fiscal year and the 15th day of the next fiscal year. Be sure to use the appropriate voucher for each payment and fill in the tax year and date.

Whenever a due date falls on a Saturday, Sunday or legal holiday, the filing and payment may be made on the next succeeding business day.

Fiduciaries who underpay, or fail to pay, their estimated taxes may incur a penalty. Form M-2210, Underpayment of Massachusetts Estimated Income Tax, is used to compute the additional charge.

Name of Entity — Enter the exact legal name of the entity. If a trust or estate, refer to the governing instrument; other fiduciaries should use the exact legal name as their appointing court ruled.

Mailing Address of Fiduciary — Enter the mailing address of the fiduciary who is listed on the first line.

C/o — If the mailing address is the address of a legal firm or a person other than the fiduciary, that person or firm should be listed on the C/o line.

Company Account Number — If applicable, enter the company account number your firm has assigned to this entity.

U.S. Taxpayer Number — Enter the U.S. employer identification number. U.S. Form SS-4, Application for Employer Identification Number, should be used to apply for an employer identification number if you do not already have one. Enter "applied for" and the date applied for in the box if the number is not available at time of filing. Do **not** use a decedent's Social Security number for an estate. A separate employer identification number is required for the estate and for each trust entity.

Date Entity Created — Enter the date the trust was created. If filing a return for an estate, enter the date of death. All other fiduciaries should enter the date of appointment.

Receiving a Form 2 Booklet — Many fiduciary returns are computer generated. To save mailing and printing costs check the box in the name and address area only if you need to receive a Form 2 booklet next year.

Beneficiary Information

Line 2. Beneficiaries

List the complete name of each income beneficiary. An income beneficiary is a beneficiary of a trust who is entitled to receive the income from the trust. If filing for other than a trust, enter the name of the person receiving the income.

Line 3. Social Security Number

Enter the Social Security number of the income beneficiary.

Line 4. Legal Domicile

Enter the legal domicile of the income beneficiary. A legal domicile is a person's permanent home.

If all of the income and capital gains are taxed at 100%, you do not need to complete lines 5–11.

Line 5. Total Income

Enter the dollar amount of the income the beneficiary received during the tax period covered by the return. This is the total of the beneficiary's share of lines 18, 25 and 33; Schedule B, line 37; Schedule D, line 22, columns A, B, C, D, E, F and G; and Schedule D-1, line 1, columns A, B, C, D, E, F and G.

Line 6a. Percentage of Income

Enter the percentage of total income that was paid to/or accumulated for each beneficiary.

Line 6b. Percentage of Taxable Income

Indicate the percentage of total income taxable in Massachusetts for each beneficiary. See "What Type of Income is Subject to Tax?"

Line 7. Accumulated Income

Enter the amount of income accumulated, i.e., retained by the entity, for the year.

Line 8. Total

Add column 5 and enter the total in the applicable space in line 8. Column 6a must total 100%. Add column 6b and enter the total in the applicable space in line 8.

Line 9. Remaindermen

In returns where taxable stock dividends, taxable gains from the purchase or sale of real estate, tangible and intangible personal property, or dividends which are wholly or in part credited to capital have been received by the fiduciary during the tax year covered by this return and in all cases where all or part of the taxable income is accumulated for remainder interests, then line 9 **must** include the complete name and address of each remainderman (a remainderman is the person entitled to an estate after the prior estate has expired).

Lines 3 through 6 must be completed accordingly. Note that accumulated income or principal held in trust for the benefit of unborn or unascertained persons, or persons with uncertain interests, are taxed as if accumulated for the benefit of a known Massachusetts resident (MGL, Ch. 62, sec. 10(a)).

Line 10. Accumulated Capital Gain

Enter the amount of capital gain accumulated, i.e., retained by the entity, for the year.

Line 11. Total

Add column 5 and enter the total in the applicable space in line 11. Column 6a must total 100%. Add column 6b and enter the total in the applicable space in line 11.

5.3% Income

Line 12. Wages, Salaries, Tips, Other Employee Compensation

Enter wages, salaries, tips and other compensation earned and received, and if applicable, enter the amount reported as Massachusetts wages on Form W-2.

For a decedent's estate, income in respect of a decedent is taxed in line 12. Income in respect of a decedent is income the decedent had a right to receive prior to the date of death, but payment of which was made to the estate after date of death. Wages, salaries or other forms of compensation, including any fixed sum amount attributable to services rendered prior to the decedent's death, are to be included in line 12. Income in respect of a decedent is reported and taxed on the Form 2 as income to the estate in addition to reporting and taxing it on the Decedent's Estate Tax Return, Form M-706, as an asset of the estate.

Line 13. Taxable Pensions and Annuities

Income from most private pension or annuity plans is taxable in Massachusetts. Only if the income is from a contributory annuity, pension, endowment or retirement fund of the U.S. Government, the Commonwealth of Massachusetts or its political subdivisions, or any noncontributory pension or survivorship benefits from the United States uniformed services (Army, Navy, Marine Corps, Air Force, Coast Guard, commissioned corps of the U.S. Public Health Service and National Oceanic and Atmospheric Administration) is the income exempt. Pension income from certain other states or their political subdivisions that do not tax such income from Massachusetts, may be eligible to be deducted.

Enter the fully taxable amounts received from pension or annuity plans in line 13. Amounts distributed from an IRA or Keogh plan should also be reported in line 13.

Line 14. Business/Profession or Farm Income or Loss

For entities engaged in operating a business or profession, complete and attach Massachusetts Schedule C or U.S. Schedules C, C-EZ or F, and enter the amount of income or loss in line 14.

Line 15. Rental, Royalty and REMIC Income or Loss

Rental, Royalty and Real Estate Mortgage Investment Conduit (REMIC) residual income are generally taxable in Massachusetts. Enter the amount from Schedule E, line 4. Attach Massachusetts Schedule E. Explain any differences in amounts entered on the Massachusetts and U.S. schedules which result from part-year residency, trust provisions or allowable differences. See Schedule E instructions for further details of possible differences in reporting rental, royalty and REMIC income or loss.

Line 16. Interest from Massachusetts Banks

Begin by entering, in the spaces provided, the names of all savings banks, cooperative banks, national banks, trust companies, savings and loan associations or credit unions located in Massachusetts, in which you have deposit accounts and the amounts of interest received or credited to these accounts (savings accounts, savings shares, NOW accounts and term and time deposits). Attach an additional statement if more space is needed. All other interest, unless exempt, should be entered in Schedule B, line 1.

Line 17. Other 5.3% Income

Other 5.3% income, not reported elsewhere, must be included here. Enter the source and amount of each item.

Attach a supplemental statement if additional space is needed. Items reported here include: partnership and S corporation income or loss; gambling winnings from lotteries, raffles, races or other events of chance, wherever held; fair market value of prizes and awards; lump-sum distributions from qualified employee benefit plans in excess of employee's contributions and any other miscellaneous income.

Income received by a Massachusetts trust or estate from sources not previously subject to Massachusetts jurisdiction or taxed in Massachusetts is subject to taxation on Form 2. Sources not previously subject to Massachusetts taxation include non-Massachusetts estates, trusts and partnerships, wherever located. Enter the income or loss from these entities in the appropriate lines 12 through 35 on Form 2, Schedule D, lines 1 through 6 and Schedule D-1, line 1 according to the character and source of income. If no other line applies, enter the income or loss from these entities in line 17.

Line 18. Total 5.3% Income

Add lines 12 through 17, and enter the total in line 18.

Line 19. Modified Gross 5.3% Income

Once jurisdiction is established, income received by a fiduciary or executor is fully taxable in Massachusetts to the extent that the income is payable to/or accumulated for residents of Massachusetts. Correspondingly, a percentage deduction may be taken by the entity for amounts paid to nonresident beneficiaries, subject to the following limitation: to the extent of any income that is subject to taxation under MGL, Ch. 62, sec. 5A, as Massachusetts source income, such income is fully taxable, regardless of whether it is payable to/or accumulated for residents or nonresidents. For a more detailed explanation of what constitutes Massachusetts source income, please refer to the "Definitions" section.

Income received by a fiduciary or executor which is accumulated for unborn or unascertained persons, beneficiaries or remaindermen with uncertain interests, is also fully taxed as though accumulated for residents of the Commonwealth. Enter the 5.3% income taxable in Massachusetts. Explain if line 19 is different from line 18.

Example:

Trust X received \$6,000 in non-Massachusetts source royalty income, line 15 and \$7,000 in winnings, line 17. The trust has two beneficiaries, one a resident of Massachusetts and the other a resident of Oregon. The trust paid each beneficiary one-half of the income, \$6,500 each. The trust may deduct \$3,000 of the royalty income from its total 5.3% income as a payment to a nonresident. The trust may not, however, deduct the Oregon resident's share of the Massachusetts winnings, \$3,500, as it is Massachusetts source income and is taxable to nonresidents. The trust then has \$10,000 of modified gross income for line 19.

Line 20. Beneficiaries' Exemptions

Enter the amount assignable to beneficiaries with No Tax Status, or the amount applicable to beneficiaries' unused personal exemptions. See the section on Beneficiaries' Claims. Form 20 or 20A and Form 1 must be attached to substantiate the claim.

Line 21. Deductions Allowed Decedents

The amount of any deduction in respect to a decedent that is not properly allowable to the decedent in respect to the taxable period in

which his/her date of death falls, or prior period, shall be specifically allowed, provided that the estate of the decedent is liable to discharge the obligation for which the deduction relates.

The following deductions are allowed, but only if attributable to the decedent and paid after date of death (attach copy of Form 1):

- Amounts paid into Social Security (FICA), Railroad, U.S. or Massachusetts Retirement Systems are deductible up to a maximum of \$2,000. Payments to an IRA, Keogh, Simplified Employee Pension Plan (SEP) or Simple Account are not deductible.
- Amounts paid to someone to care for one (or more) qualified child under age 13, or for a disabled dependent(s) or spouse so that the decedent could work or look for work, are deductible as an employment-related expense.
- A deduction of \$3,600 for one or \$7,200 for two dependent members of household under age 12, or dependent age 65 or over (not the taxpayer or their spouse) or disabled dependent at the close of the taxable year in which the decedent's death falls. This deduction may only be claimed as long as no employment-related expense deduction is claimed.
- Amounts paid for rent qualifying as the decedent's principal residence, are deductible equal to 50% of the rent paid during the taxable year, up to a maximum of \$3,000. Attach a supplemental statement listing landlord's name(s) and address(es), dates rented and amount(s) of rent paid for each residence.
- The deduction for unreimbursed travel and transportation expenses incurred by any employee, and unreimbursed gifts, entertainment and other employee business expenses incurred by employees who solicit business for an employer away from the employer's place of business are allowed only if the taxpayer itemizes deductions on his/her U.S. income tax return and only for amounts that exceed 2% of U.S. adjusted gross income. The amount an employee is reimbursed for business expenses continues to be an allowable deduction.
- A penalty charge for early withdrawal of savings and interest is deductible but only if the interest that the penalty is related to is reported on Form 2.
- Amounts paid to a former spouse for alimony or separate maintenance pursuant to a court decree are deductible as long as the amounts are paid in the taxable year in which the decedent's death falls.
- A deduction for 60% of the qualified insurance payments for a self-employed taxpayer and his or her spouse and dependents.

In addition, the following federal deductions are allowed: interest payments due and paid on qualified student loans; qualified moving expenses paid or incurred with the commencement of work at a new principal place of work; business expenses of state and local government employees who are compensated on a fee basis; jury duty pay surrendered by an employee to their employer; and contributions by employees of small businesses and self-employed individuals to a Medical Savings Account.

Line 22. Total Exemptions and Deductions

Add lines 20 and 21, and enter the total in line 22.

Line 23. Net Taxable 5.3% Income

Subtract line 22 from line 19. Enter the result in line 23, but *not less than "0."*

Line 24. Interest and Dividend Income

Enter amount from Schedule B, line 40. See Schedule B instructions for detailed information. Complete and attach Schedule B.

Line 25. Common Trust Fund Interest and Dividends

Enter the amount of interest and dividends received from common trust funds.

Line 26. Total Interest and Dividend Income

Add line 24 and line 25.

Line 27. Modified Gross Interest and Dividend Income

Enter the modified gross income in Massachusetts. Modified gross income is the amount reported on line 26, reduced by the portion of such amount that is attributable to deductible amounts paid to or accumulated for nonresident beneficiaries. No amount of capital gains accumulated for an unascertained remainder may be deducted in determining amounts reportable in line 27. If there is Massachusetts source income in line 26, refer to the instructions for line 19. Explain if line 27 is different from line 26.

Line 28. Beneficiaries' Exemptions

Enter the amount assignable to beneficiaries with No Tax Status or the amount applicable to beneficiaries' unused personal exemptions in line 28. See the section on Beneficiaries' Claims. Form 20 or 20A and Form 1 must be attached to substantiate the claim.

Line 29. Net Taxable Interest and Dividend Income

Subtract line 28 from line 27, and enter the result in line 29. If less than zero, enter "0." This is the net taxable interest and dividend income.

Line 30. Total Income Taxable at 5.3%

Add line 23 and line 29.

Line 31. Tax from Table

Based upon the amount in line 30, find the proper amount of tax in the table, and enter the tax in line 31. If line 30 is greater than \$24,000, multiply the amount in line 30 by .053, and enter the result in line 31. You **must** use the tax table if line 30 is \$24,000 or less.

Line 32. 12% Capital Gains

Enter amount from Schedule B, line 41. See Schedule B instructions for detailed information. Complete and attach Schedule B.

Line 33. Short-Term Common Trust Fund Capital Gains

Enter the amount of short-term capital gains received from common trust funds.

Line 34. Total 12% Capital Gains

Add line 32 and line 33.

Line 35. Modified 12% Capital Gains

Enter the modified gross income in Massachusetts. Modified gross income is the amount reported on line 34, reduced by the portion of such amount that is attributable to deductible amounts paid to or accumulated for nonresident beneficiaries. No amount of capital gains accumulated for an unascertained remainder may be deducted in determining amounts reportable in line 35. If there is Massachusetts source income in line 34, refer to the instructions for line 19. Explain if line 35 is different from line 34.

Line 36. Beneficiaries' Exemptions

Enter the amount assignable to beneficiaries with No Tax Status or the amount applicable to beneficiaries' unused personal exemptions in line 36. See the section on Beneficiaries' Claims. Form 20 or 20A and Form 1 must be attached to substantiate the claim.

Line 37. Net Taxable 12% Capital Gains

Subtract line 36 from line 35, and enter the result in line 37. If less than zero, enter "0." This is the net taxable 12% income.

Line 38. 12% Tax

Multiply the amount in line 37 by .12, and enter the result in line 38.

Line 39. Tax on Long-Term Capital Gains

Enter the amount from Schedule D, line 27 in line 39.

Line 40. Tax on Long-Term Common Trust Fund Capital Gains

Enter the amount from Schedule D-1, line 6 in line 40.

Line 41. Credit Recapture

If any Brownfields Credit, Economic Opportunity Area Credit or Low-Income Housing Credit property is disposed of or ceases to be in qualified use prior to the end of its useful life, the difference between the credit taken and the total credit allowed for actual use must be added back to tax on Form 2. Complete and attach Schedule H-2, Credit Recapture.

Line 42. Total Tax

Add lines 31, 38, 39, 40 and 41. Enter the total in line 42.

Line 43. Credits**Credit for Taxes Paid to Other Jurisdictions**

You should use Schedule F, if all or part of the income reported on this return is subject to taxation in another state or specified jurisdiction and you have filed a return and paid taxes in the other state or jurisdiction. Do not include taxes paid to the U.S. Government. Attach Schedule F. The total credit which you calculate on Schedule F is the smaller of the amount of taxes due to other jurisdictions (net of certain adjustments); or the portion of your Massachusetts tax due on your gross income that is taxed in such other jurisdiction.

Lead Paint Credit

A credit for up to \$1,500 is given for expenses incurred for removing or covering lead paint on residential premises in Massachusetts. A seven-year carryover of any unused credits is provided. However, credits generated before January 1, 1994 are subject to a five-year carryover. Also, a credit is allowed for interim controls, abatement measures that have been taken pending the complete removal of lead paint, for up to \$500 per dwelling unit. This \$500 amount is counted towards the \$1,500 limit. Strict regulations govern who can cover or remove lead paint. The basic rules are explained on Massachusetts Schedule LP, Credit for Removing or Covering Lead Paint on Residential Premises. If you qualify for the credit, complete Massachusetts Schedule LP.

Economic Opportunity Area Credit

Massachusetts allows a credit equal to 5% of the cost of qualifying property purchased for business use within an Economic Opportunity Area (EOA). To qualify for this credit, the property must be used exclusively in a certified project in an EOA. A certified project is a project that has been approved by the Economic Assistance Coordinating Council (EACC). Complete Schedule EOA, Economic Opportunity Area Credit. See Schedule EOA for more information.

Full Employment Credit

Every employer who participates in the Full Employment Program and continues to employ a participant for at least one full month after any Full Employment Program subsidy for that participant has expired may claim the Full Employment Credit. A qualified employer may claim a credit equal to \$100 per month of eligible employment per participant, with a maximum credit of \$1,200 per participant. Qualified participants and employers are those who participate in the Full Employment Program under the rules of the Department of Transitional Assistance (DTA). A five-year carryover of any unused credit is allowed. If you qualify for this credit, complete Massachusetts Full Employment Credit, Schedule FEC.

Brownfields Credit

Taxpayers are allowed a credit for amounts expended to rehabilitate contaminated property owned or leased for business purposes and located within an economically distressed area. In general, the credit is 25% or 50% of certain environmental response and removal costs incurred between August 1, 1998, and January 1, 2005. The credit that may be taken in any taxable year is limited to 50% of the taxpayer's tax liability. A five-year carryover of unused credit is allowed, provided the taxpayer continues to maintain the remedies required by law. See TIR 99-13 for more information. If you qualify for this credit, complete Massachusetts Schedule BC, Brownfields Credit.

Low-Income Housing Credit

A low-income housing credit is available to taxpayers. The Department of Housing and Community Development will allocate the low-income housing credit from a pool of available credits granted under section 42 of the Internal Revenue Code among qualified low-income housing projects. A taxpayer allocated a federal low-income housing credit may also be eligible for a state credit based on the credit amount allocated to a low-income housing project that the taxpayer owns. A five-year carryforward of used credit is allowed. See TIR 99-19 for more information.

Line 44. Tax After Credits

Subtract line 43 (total credits) from line 42 and enter the result in line 44.

Line 45. Massachusetts Income Tax Withheld

This represents **all** income taxes withheld for the Commonwealth of Massachusetts as indicated on your copies of Forms W-2, W-2G and 1099-G or 1099-R, if applicable. Enter the total of all Massachusetts withholdings in line 45. Be sure you attach the **state** copies to the front of your return where indicated in the left margin; otherwise your claim of amounts withheld will not be allowed. If you have lost any state copy, ask the payer for a duplicate. Copies of Forms 1099-G and 1099-R need only be attached if they show an amount for Massachusetts tax withheld.

Line 46. 2001 Overpayment Applied to your 2002 Estimated Tax

Include the exact amount of any 2001 overpayment you applied to your 2002 estimated taxes on your 2001 Massachusetts Form 2, line 52. Do not include any 2001 refund in this line.

Line 47. 2002 Massachusetts Estimated Tax Payments

Enter the total amount of Massachusetts estimated income tax payments made for 2002. Do not include the amount in line 46.

Line 48. Payments Made with Extension

If an Application for Extension of Time to File Fiduciary, Partnership or Corporate Trust Return, Massachusetts Form M-8736, was made

for 2002 on or before the due date of the return, enter in line 48 the amount you paid with Massachusetts Form M-8736. An extension of time to file does not extend the due date for payment of the tax.

Any tax not paid on or before the due date, without regard to the extension, will be charged interest. Any tax not paid within the extended period is subject to a penalty of $\frac{1}{2}\%$ per month, up to a maximum of 25% from the due date of the return.

Line 49. Payment with Original Return

Use this line if you are amending the original return. Enter in line 49 the amount of tax you paid with the original return from line 54, Balance Due. If estimated tax payments were made on the original return, they should be reflected in line 47, as on the original return. Check the amended return box in line 1. Complete the entire return, correct the appropriate line(s) with the new information and recompute the tax liability. On an attached sheet, explain the reason for the amendment(s) and identify the line(s) and amount(s) being changed on the amended return. If the change reduces the tax liability, attach Form CA-6, Application for Abatement/Amended Return, and a copy of the return that you originally filed.

Send the amended return, with Form CA-6 on top, to:

Massachusetts Department of Revenue
PO Box 7031
Boston, MA 02204

If you owe additional tax, send the amended Form 2 to:

Massachusetts Department of Revenue
PO Box 7018
Boston, MA 02204

Line 50. Total Tax Payments

Add lines 45 through 49, and enter the total in line 50.

Line 51. Overpayment

If line 44 is smaller than line 50, subtract line 44 from line 50, and enter the result in line 51. This is the amount of the overpayment. If line 44 is larger than line 50, skip to line 54.

Line 52. Amount of Overpayment to be Applied to 2003 Massachusetts Estimated Taxes

Enter the amount of the 2002 overpayment from line 51 that you want applied to your 2003 Massachusetts estimated taxes.

Line 53. Amount of Refund

Subtract line 52 from line 51, and enter the result in line 53. This is the amount of your refund.

Line 54. Balance Due

If line 50 is smaller than line 44, subtract line 50 from line 44, and enter the result in line 54. Include in line 54 any additional payment for interest and/or penalty (see following description), and indicate amount on form. Pay this amount in full with the return when filed. Make the check or money order payable to the **Commonwealth of Massachusetts** and write the tax identification number on the lower left front corner.

Penalty for Late Payment: The penalty for late payment is $\frac{1}{2}\%$ of the tax due, per month (or fraction thereof) up to a maximum of 25%.

Penalty for Failure to File: The penalty for failure to file a tax return by the due date is 1% of the tax due, per month (or fraction thereof) up to a maximum of 25%.

Penalty for Protested (“Bad”) Check: If your check is not honored by your bank for insufficient funds, or any other reason, a penalty may be added equal to 2% of the amount of the check or \$10, whichever is greater (but no more than the amount of the check).

Federal (Audit) Change Penalty: If the U.S. Internal Revenue Service changes a tax return for a prior year (generally through audit), file an amended Form 2 with the amended box checked together with any required schedules or additional payments within one year of the final federal determination to avoid a penalty. The penalty is equal to the smaller of 10% of the additional tax due, or \$100. If the change indicates a refund, file Massachusetts Form CA-6, Application for Abatement/Amended Return, within one year.

Addition for Underpayment of Estimated Tax: If withholding and/or estimated tax payments do not equal 80% of the total tax liability required to be paid, an addition to tax will generally apply. If you failed to meet this requirement, you must complete and attach Massachusetts Form M-2210 to calculate the amount of penalty you must add to line 54 or to show which exception applies. Most taxpayers who qualify for an exception had withholding and/or estimated payments equal to their tax liability for the previous year.

Taxpayer’s Declaration

At least one of the fiduciaries must sign the return, under penalties of perjury, and write the date it is signed. Fiduciaries using facsimile signatures **must** follow the procedures in DOR Directive 89-9. Staple all state copies of any Forms W-2, W-2G and any 1099 with Massachusetts withholding on the front of the Form 2. If making a payment, staple your check or money order to the front of the Form 2. Make the check or money order payable to the **Commonwealth of Massachusetts**, and be sure to sign the check. The tax identification number should be entered on the front of the check. Attach all required U.S. forms and schedules to the back. Please attach Massachusetts forms and schedules first, followed by Massachusetts Form M-2210.

This return, together with payment in full, is due **on or before April 15, 2003**. Mail to:

**Massachusetts Department of Revenue
PO Box 7018, Boston, MA 02204**

Direct fiduciary inquiries, **not returns**, to:

**Massachusetts Department of Revenue
Customer Service Bureau
PO Box 7010, Boston, MA 02204
Telephone: (617) 887-MDOR**

Additional Form and Schedule Instructions

Schedule B. Interest, Dividends and Certain Capital Gains and Losses

You must file Massachusetts Schedule B if you had:

- any interest income other than from Massachusetts banks taxed at 5.3%;
- short-term capital gains or losses;
- carryover short-term losses from prior years;
- long-term gains on collectibles or pre-1996 installment sales;
- gains or losses from the sale, exchange or involuntary conversion of property used in a trade or business;
- net long-term capital gains or losses; or
- excess exemptions.

Collectibles are defined as any capital asset that is a collectible within the meaning of Internal Revenue Code section 408(m), as amended and in effect for the taxable year, including works of art, rugs, antiques, metals, gems, stamps, alcoholic beverages, certain coins, and any other items treated as collectibles for federal tax purposes.

- You need not file Massachusetts Schedule B if all interest income you had was from Massachusetts banks (reportable in Form 2, line 16).
- You must complete Massachusetts Schedule B if your interest or dividend income includes: dividends taxed directly to trusts or estates on a Massachusetts Fiduciary Return, Form 2; or exempt portions of any interest or dividends from a mutual fund or dividends from current earnings of a corporate trust that are taxed directly on a Massachusetts Corporate Trust Return, Form 3F.

Line 1. Total Interest

Enter total interest from U.S. Form 1041 or 1041-QFT, page 1, line 1.

Note: Interest is Massachusetts source income if it is derived from or connected with Massachusetts business activity or the ownership of Massachusetts real estate or tangible personal property.

Interest from a common trust fund may be excluded here, provided it is entered in Form 2, line 25. If common trust fund interest is included in this line, enter the amount in line 8 and Form 2, line 25.

Line 2. Total Dividends

Enter total dividends from U.S. Form 1041 or 1041-QFT, page 1, line 2. Dividends from a common trust fund may be excluded here, provided they are entered in Form 2, line 25. If common trust fund dividends are included in this line, enter the amount in line 8 and Form 2, line 25.

Line 3. Other Interest and Dividends

Enter in line 3 any other interest and dividends not included in lines 1 and 2. Line 3 includes such items as interest from obligations of other states and their political subdivisions that are not taxable federally but are taxable in Massachusetts. Any tax-exempt municipal interest, including interest from all Massachusetts municipalities, should be entered here for Schedule H computations.

Line 4. Total Interest and Dividends

Add lines 1, 2 and 3, and then enter the total in line 4.

Line 5. Interest on U.S. Debt Obligations

Enter the total amount of U.S. Government obligation interest included in line 4. Interest from **obligations** of the U.S. Government are not taxable by the Commonwealth of Massachusetts.

Line 6. Total Interest from Massachusetts Banks

Enter the total amount of interest from savings in Massachusetts banks included in Form 2, line 16.

Line 7. Interest and Dividends Taxed Directly to Other Massachusetts Estates and/or Trusts

Enter the total amount of interest and dividends taxed directly to other Massachusetts estates and/or trusts that has been included in lines 1, 2 or 3. Attach a statement detailing the type of income, the payor and the payor's tax identification number.

Line 8. Other Interest and Dividends to Be Excluded

Enter any other interest or dividends to be excluded. A schedule and statement of explanation must be attached. Common trust fund dividends or interest included in lines 1 or 2 must be entered here. Any tax-exempt municipal interest entered in line 3, for Schedule H computations, must be entered here.

Line 9. Total Adjustments

Add lines 5 through 8, and enter the total in line 9.

Line 10. Subtotal Interest and Dividends

Subtract line 9 from line 4, and enter the result in line 10.

Note: If there are any differences between U.S. and Massachusetts amounts reported in lines 13, 14, 15, 19 and 20, be sure to enter the Massachusetts amount and attach a statement that includes the line item and an explanation of the differences.

Exclude short-term capital gains received from common trust funds from Schedule B and enter short-term capital gains received from common trust funds in Form 2, line 33. Also, exclude short-term capital gains or losses taxed directly on Massachusetts Fiduciary Return, Form 2, or other fiduciaries of which this entity is a beneficiary.

Line 11. Allowable Deductions From Your Trade or Business

Enter the amount from Massachusetts Schedule C-2, line 8 if you qualify for an excess trade or business deduction. See the instructions for Massachusetts Schedule C-2.

Line 12. Subtotal Interest and Dividends

Subtract line 11 from line 10, and enter the result in line 12.

Line 13. Short-Term Capital Gains

Enter the total short-term capital gains included in U.S. Form 1041, Schedule D, Part I, lines 1, 2 and 3.

Line 14. Long-Term Capital Gains on Collectibles and Pre-1996 Installment Sales

Enter the total amount of long-term capital gains on collectibles and pre-1996 installment sales from Massachusetts Schedule D, line 13, columns A, B, C, D, E, F and G.

Line 15. Gain on Sale of Business Property

Enter from U.S. Form 4797 the amount of gain from the sale, exchange or involuntary conversion of property used in a trade or business and held for one year or less. Be sure to attach U.S. Form 4797 with your return.

Line 16. Gross Interest, Dividends and Certain Capital Gains

Add lines 13 through 15.

Line 17. Allowable Deductions From Your Trade or Business

Enter the amount from Massachusetts Schedule C-2, line 11 if you qualify for an excess trade or business deduction. See the instructions for Massachusetts Schedule C-2.

Line 18. Subtotal Interest, Dividends and Certain Capital Gains

Subtract line 17 from line 16.

Line 19. Short-Term Capital Losses

Enter the total short-term capital losses included in U.S. Form 1041 Schedule D, Part I, lines 1, 2 and 3.

Line 20. Loss on Sale of Business Property

Enter from U.S. Form 4797 the amount of loss from the sale, exchange or involuntary conversion of property used in a trade or business and held for one year or less. Be sure to enclose U.S. Form 4797 with your return.

Line 21. Prior Years Short-Term Unused Losses

You may use short-term losses accumulated in the previous taxable years beginning after 1981 in the computation of short-term gain or loss for the current year. Enter here the short-term loss amount from your 2001 Massachusetts Schedule B, line 31.

Line 22. Subtotal Interest and Dividends and Certain Capital Gains and Losses

Combine lines 18 through 21. If a positive amount, omit lines 22 through 26 and go to line 27. If the total is a loss, go to line 23.

Line 23. Short-Term Capital Losses Applied Against Interest and Dividends

Enter the smaller of line 12 or line 22 (as a positive amount) but not more than \$2,000.

Line 24. Subtotal Interest and Dividends and Certain Capital Gains and Losses

Combine lines 22 and 23. If the total is a loss and any amount in Schedule D, line 16, columns A, B, C, D, E, F or G is a positive amount, complete the Short-Term Capital Losses Applied Against Long-Term Capital Gains Worksheet for Schedule B, Line 25 and Schedule D, Line 17 on page 13. If Schedule B, line 24 is a loss and all the amounts in Schedule D, line 16, columns A, B, C, D, E, F and G are "0" or less, omit line 25, and enter the amount from line 24 on line 26.

Line 25. Short-Term Capital Losses Applied Against Long-Term Capital Gains

Complete the Short-Term Capital Losses Applied Against Long-Term Capital Gains Worksheet for Schedule B, Line 25 and Schedule D, Line 17 on page 13 only if Schedule B, line 24 is a loss and any amount in Schedule D, line 16, columns A, B, C, D, E, F or G is a positive amount.

Line 26. Short-Term Capital Losses for Carryover in 2003

Combine line 24 and line 25 and enter the result in line 26 and in line 42, omit lines 27 through 30, enter "0" in line 31, and complete lines 32 through 41

Line 27. Short-Term Capital Gains and Long-Term Gains on Collectible

Enter the amount from Schedule B, line 22. If Schedule D line 16, columns A, B, C, D, E, F or G is "0" or greater, omit line 28 and enter the amount from line 27 in line 29. If Schedule D, line 16, columns A, B, C, D, E, F or G is a loss go to line 28.

Line 28. Long-Term Capital Losses Applied Against Short-Term Capital Gains

Complete the Long-Term Capital Losses Applied Against Short-Term Capital Gains Worksheet for Schedule B, Line 28 and Schedule D, Line 17 on page 13 only if Schedule B, line 27 is a positive amount and any amount in Schedule D, line 16, columns A, B, C, D, E, F or G is a loss.

Line 29. Net Interest and Dividends and Certain Capital Gains and Losses

Subtract line 28 from line 27. If line 29 is "0," omit line 30 and enter "0" in line 31.

Line 30. Long-Term Gain Deduction

If there is no entry in line 14, enter "0." If line 14 shows a gain, enter 50% of line 14 less 50% of losses in lines 19, 20, 21 and 28, but not less than "0."

Line 31. Short-Term Gains After Long-Term Gains Deduction

Subtract line 30 from line 29. Not less than "0."

Line 32. Subtotal Interest and Dividends

Enter the amount from line 12.

Line 33. Short-Term Losses Applied Against Interest and Dividends

Enter the amount from line 23. If line 23 is not completed enter "0."

Line 34. Adjusted Interest and Dividends

Subtract line 33 from line 32. If Schedule D line 16, columns A, B, C, D, E, F or G is "0" or greater omit line 35 and enter the amount from line 34 in line 36. If Schedule D line 16, columns A, B, C, D, E, F or G is a loss go to line 35.

Line 35. Long-Term Losses Applied Against Interest and Dividends

If Schedule B, line 34 is a positive amount and Schedule D, line 18, columns A, B, C, D, E, F and G is a loss, complete the Long-Term Capital Losses Applied Against Interest and Dividends Worksheet for Schedule B, line 35 and Schedule D, line 19 on page 14.

Line 36. Adjusted interest and Dividends

Subtract line 35 from line 34.

Line 37. Adjusted Gross Interest, Dividends and Certain Capital Gains

Add lines 31 and 36. Not less than "0."

Line 38. Expense and Fiduciary Compensation Deduction

Enter the allowable portion of expenses as computed on Schedule H, Part 1, line 5, and compensation as computed on Schedule H, Part 2, line 18. Attach a copy of Schedule H.

Line 39. Taxable Interest, Dividends and Certain Capital Gains

Subtract line 38 from line 37. Not less than "0."

Line 40. Interest and Dividends Taxable at 5.3%

If line 39 is greater than or equal to line 12, enter the amount from line 12 here and on Form 2, line 24. If line 39 is less than line 12, enter the amount from line 39 here and on Form 2, line 24.

Line 41. Taxable 12% Capital Gains

Subtract line 40 from line 39. Not less than "0." Enter the result here and on Form 2, line 32.

Line 42. Available Short-Term Losses for Carryover in 2003

Enter the amount from line 26, only if it is a loss.

Note: Before completing the Short-Term Capital Losses Applied Against Long-Term Capital Gains Worksheet for Schedule B, Line 25 and Schedule D, Line 17, or the Long-Term Capital Losses Applied Against Short-Term Capital Gains Worksheet for Schedule B, Line 28 and Schedule D, Line 17, you must have completed Schedule D, line 16.

Short-Term Capital Losses Applied Against Long-Term Capital Gains Worksheet for Schedule B, Line 25 and Schedule D, Line 17. Complete only if Schedule B, line 24 is a loss and any amount in Schedule D, line 16, columns A, B, C, D, E, F or G is a positive amount. Enter all losses as positive amounts.

1. Enter amount from Schedule B, line 24 as a positive amount
2. Enter any gain from Schedule D, line 16, column A. Otherwise, enter "0"
3. If line 1 is smaller than or equal to line 2, enter line 1 here and in Schedule D, line 17, column A. If line 1 is larger than line 2, enter line 2 here and in Schedule D, line 17, column A
4. Subtract line 3 from line 1. If "0," omit lines 5 through 21 and complete line 22. Otherwise, complete lines 5 through 7
5. Enter any gain from Schedule D, line 16, column B. Otherwise, enter "0"
6. If line 4 is smaller than or equal to line 5, enter line 4 here and in Schedule D, line 17, column B. If line 4 is larger than line 5, enter line 5 here and in Schedule D, line 17, column B
7. Subtract line 6 from line 4. If "0," omit lines 8 through 21 and complete line 22. Otherwise, complete lines 8 through 10
8. Enter any gain from Schedule D, line 16, column C. Otherwise, enter "0"
9. If line 7 is smaller than or equal to line 8, enter line 7 here and in Schedule D, line 17, column C. If line 7 is larger than line 8, enter line 8 here and in Schedule D, line 17, column C
10. Subtract line 9 from line 7. If "0," omit lines 11 through 21 and complete line 22. Otherwise, complete lines 11 through 13
11. Enter any gain from Schedule D, line 16, column D. Otherwise, enter "0"

12. If line 10 is smaller than or equal to line 11, enter line 10 here and in Schedule D, line 17, column D. If line 10 is larger than line 11, enter line 11 here and in Schedule D, line 17, column D
13. Subtract line 12 from line 10. If "0," omit lines 16 through 21 and complete line 22. Otherwise, complete lines 14 through 16
14. Enter any gain from Schedule D, line 16, column E. Otherwise, enter "0"
15. If line 13 is smaller than or equal to line 14, enter line 13 here and in Schedule D, line 17, column E. If line 13 is larger than line 14, enter line 14 here and in Schedule D, line 17, column E
16. Subtract line 15 from line 13. If "0," omit lines 17 through 21 and complete line 22. Otherwise, complete lines 17 through 19
17. Enter any gain from Schedule D, line 16, column F. Otherwise, enter "0"
18. If line 16 is smaller than or equal to line 17, enter line 16 here and in Schedule D, line 17, column F. If line 16 is larger than line 17, enter line 17 here and in Schedule D, line 17, column F
19. Subtract line 18 from line 16. If "0," omit lines 20 and 21 and complete line 22. Otherwise, complete lines 20 through 22
20. Enter any gain from Schedule D, line 16, column G. Otherwise, enter "0"
21. If line 19 is smaller than or equal to line 20, enter line 19 here and in Schedule D, line 17, column G. If line 19 is larger than line 20, enter line 20 here and in Schedule D, line 17, column G
22. Add lines 3, 6, 9, 12, 15, 18 and 21. Enter the result here and in Schedule B, line 25

Long-Term Capital Losses Applied Against Short-Term Capital Gains Worksheet for Schedule B, Line 28 and Schedule D, Line 17. Complete only if Schedule B, line 27 is a positive amount and any amount in Schedule D, line 16, columns A, B, C, D, E, F or G is a loss. Enter all losses as positive amounts.

1. Enter amount from Schedule B, line 27
2. Enter any loss from Schedule D, line 16, column A as a positive amount. Otherwise, enter "0"
3. If line 1 is smaller than or equal to line 2, enter line 1 here and in Schedule D, line 17, column A. If line 1 is larger than line 2, enter line 2 here and in Schedule D, line 17, column A
4. Subtract line 3 from line 1. If "0," omit lines 5 through 21 and complete line 22. Otherwise, complete lines 5 through 7
5. Enter any loss from Schedule D, line 16, column B as a positive amount. Otherwise, enter "0"
6. If line 4 is smaller than or equal to line 5, enter line 4 here and in Schedule D, line 17, column B. If line 4 is larger than line 5, enter line 5 here and in Schedule D, line 17, column B
7. Subtract line 6 from line 4. If "0," omit lines 8 through 21 and complete line 22. Otherwise, complete lines 8 through 10
8. Enter any loss from Schedule D, line 16, column C as a positive amount. Otherwise, enter "0"
9. If line 7 is smaller than or equal to line 8, enter line 7 here and in Schedule D, line 17, column C. If line 7 is larger than line 8, enter line 8 here and in Schedule D, line 17, column C
10. Subtract line 9 from line 7. If "0," omit lines 11 through 21 and complete line 22. Otherwise, complete lines 11 through 13
11. Enter any loss from Schedule D, line 16, column D as a positive amount. Otherwise, enter "0"
12. If line 10 is smaller than or equal to line 11, enter line 10 here and in Schedule D, line 17, column D. If line 10 is larger than line 11, enter line 11 here and in Schedule D, line 17, column D

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13. Subtract line 12 from line 10. If "0," omit lines 16 through 21 and complete line 22. Otherwise, complete lines 14 through 16.

14. Enter any loss from Schedule D, line 16, column E as a positive amount. Otherwise, enter "0"

15. If line 13 is smaller than or equal to line 14, enter line 13 here and in Schedule D, line 17, column E. If line 13 is larger than line 14, enter line 14 here and in Schedule D, line 17, column E.

16. Subtract line 15 from line 13. If "0," omit lines 17 through 21 and complete line 22. Otherwise, complete lines 17 through 19.

17. Enter any loss from Schedule D, line 16, column F as a positive amount. Otherwise, enter "0"

18. If line 16 is smaller than or equal to line 17, enter line 16 here and in Schedule D, line 17, column F. If line 16 is larger than line 17, enter line 17 here and in Schedule D, line 17, column F.

19. Subtract line 18 from line 16. If "0," omit lines 20 and 21 and complete line 22. Otherwise, complete lines 20 through 22.

20. Enter any loss from Schedule D, line 16, column G as a positive amount. Otherwise, enter "0"

21. If line 19 is smaller than or equal to line 20, enter line 19 here and in Schedule D, line 17, column G. If line 19 is larger than line 20, enter line 20 here and in Schedule D, line 17, column G.

22. Add lines 3, 6, 9, 12, 15, 18 and 21. Enter the result here and in Schedule B, line 28.

Long-Term Capital Losses Applied Against Interest and Dividends Worksheet for Schedule B, Line 35 and Schedule D, Line 19. Complete only if Schedule B, line 34 is a positive amount and any amount in Schedule D, line 18, columns A, B, C, D, E, F or G or is a loss. Enter all losses as positive amounts.

1. Enter amount from Schedule B, line 32.

2. Enter the lesser of line 1 or \$2,000.

3. Enter the amount from Schedule B, line 33.

4. Subtract line 3 from line 2. If "0" or less omit the remainder of worksheet. Otherwise, complete lines 5 through 7.

5. Enter any loss from Schedule D, line 18, column A as a positive amount. Otherwise, enter "0"

6. If line 4 is smaller than or equal to line 5, enter line 4 here and in Schedule D, line 19, column A. If line 4 is larger than line 5, enter line 5 here and in Schedule D, line 19, column A.

7. Subtract line 6 from line 4. If "0," omit lines 8 through 24 and complete line 25. Otherwise, complete lines 8 through 10.

8. Enter any loss from Schedule D, line 18, column B as a positive amount. Otherwise, enter "0"

9. If line 7 is smaller than or equal to line 8, enter line 7 here and in Schedule D, line 19, column B. If line 7 is larger than line 8, enter line 8 here and in Schedule D, line 19, column B.

10. Subtract line 9 from line 7. If "0," omit lines 11 through 24 and complete line 25. Otherwise, complete lines 11 through 13.

11. Enter any loss from Schedule D, line 18, column C as a positive amount. Otherwise, enter "0"

12. If line 10 is smaller than or equal to line 11, enter line 10 here and in Schedule D, line 19, column C. If line 10 is larger than line 11, enter line 11 here and in Schedule D, line 19, column C.

13. Subtract line 12 from line 10. If "0," omit lines 14 through 24 and complete line 25. Otherwise, complete lines 14 through 16.

14. Enter any loss from Schedule D, line 18, column D as a positive amount. Otherwise, enter "0"

15. If line 13 is smaller than or equal to line 14, enter line 13 here and in Schedule D, line 19, column D. If line 13 is larger than line 14, enter line 14 here and in Schedule D, line 19, column D.

16. Subtract line 15 from line 13. If "0," omit lines 17 through 24 and complete line 25. Otherwise, complete lines 17 through 19.

17. Enter any loss from Schedule D, line 18, column E as a positive amount. Otherwise, enter "0"

18. If line 16 is smaller than or equal to line 17, enter line 16 here and in Schedule D, line 19, column E. If line 16 is larger than line 17, enter line 17 here and in Schedule D, line 19, column E.

19. Subtract line 18 from line 16. If "0," omit lines 20 through 24 and complete line 25. Otherwise, complete lines 20 through 22.

20. Enter any loss from Schedule D, line 18, column F as a positive amount. Otherwise, enter "0"

21. If line 19 is smaller than or equal to line 20, enter line 19 here and in Schedule D, line 19, column F. If line 19 is larger than line 20, enter line 20 here and in Schedule D, line 19, column F.

22. Subtract line 21 from line 19. If "0," omit lines 23 and 24 and complete line 25. Otherwise, complete lines 23 through 25.

23. Enter any loss from Schedule D, line 18, column G as a positive amount. Otherwise, enter "0"

24. If line 22 is smaller than or equal to line 23, enter line 22 here and in Schedule D, line 19, column G. If line 22 is larger than line 23, enter line 23 here and in Schedule D, line 19, column G.

25. Add lines 6, 9, 12, 15, 18, 21 and 24. Enter the result here and in Schedule B, line 35.

Schedule D. Capital Gains and Losses — Long-Term Capital Gains and Losses Excluding Collectibles

You must complete Massachusetts Schedule D if you had a long-term gain or loss from the sale or exchange of capital assets or from similar transactions which are granted capital gain or loss treatment on your U.S. return or, if you had capital gain distributions. Include gains from all property, wherever located. Long-term capital gains are gains on the sale or exchange of capital assets that have been held for more than one year on the date of the sale or exchange. Long-term capital losses are losses on the sale or exchange of capital assets that have been held for more than one year on the date of the sale or exchange. Holding periods will be deemed not to have begun prior to January 1, 1995.

For tax year 2002 the applicable tax rates for transactions completed prior to May 1, 2002 are 5% if the capital asset was held for more than one year but not more than two years (column A), and 4% if the capital asset was held more than two years but not more than three years (column B), and 3% if the capital asset was held more than three years but not more than four years (column C), and 2% if the capital asset was held more than four years but not more than five years (column D) and 1% if the capital asset was held more than five years but not more than six years (column E) and 0% if the capital asset was held more than six years (column F). For transactions completed after April 30, 2002 the applicable tax rate is 5.3% regardless of the holding period (column G).

"Capital gain income" is defined as gain from the sale or exchange of a capital asset. The definition of "capital asset" has been expanded to include: (1) an asset which is a capital asset for federal income tax purposes or (2) property that is used in a trade or business within the meaning of IRC section 1231(b) without regard to the holding period as defined in said section.

Significant differences between the U.S. and Massachusetts capital gain provisions are:

- Upon the sale of stock of an S corporation, the federal basis must be modified according to Massachusetts Income Tax Regulation, 830 CMR 62.17A.1; and
- Massachusetts has adopted basis adjustment rules to take into account differences between Massachusetts and federal tax laws. For more information regarding basis adjustment rules, see TIR 88-7 or the *Guide to Filing Your 2002 Massachusetts Income Taxes*.

Net ordinary losses that are itemized deductions on U.S. Schedule A are not allowable.

Installment Sales

If a sale was treated as an installment sale for U.S. income tax purposes, it may be treated the same way on your Massachusetts income tax return. If you wish to report a sale on your Massachusetts return as an installment sale, you must apply in writing to the Department of Revenue's Installment Sales Unit. The Commissioner of Revenue must approve your application to report the sale on the installment basis in Massachusetts before you file your return, and appropriate security must be posted. An explanatory statement must be enclosed with each return for the life of the installment sale. For further information contact the Installment Sales Unit at (617) 887-6950.

Line 1. Long-Term Capital Gains and Losses

In columns A through F, enter in the appropriate column amounts from transactions completed prior to May 1, 2002. Enter in column A the gain or loss included in U.S. Form 1041, Schedule D, line 6, column f, from the sale or exchange of assets held more than one year but not more than two years. Enter in column B the gain or loss included in U.S. Form 1041, Schedule D, line 6, column f, from the sale or exchange of assets held more than two years but not more than three years. Enter in column C the gain or loss included in U.S. Form 1041, Schedule D, line 6, column f, from the sale or exchange of assets held more than three years but not more than four years. Enter in column D the gain or loss included in U.S. Form 1041, Schedule D, line 6, column f, from the sale or exchange of assets held more than four years but not more than five years. Enter in column E the gain or loss included in U.S. Form 1041, Schedule D, line 6, column f, from the sale or exchange of assets held more than five years but not more than six years. Enter in column F the gain or loss included in U.S. Form 1041, Schedule D, line 6, column f, from the sale or exchange of assets held more than six years. In column G enter amounts from transactions completed after April 30, 2002 regardless of the holding period.

Line 2. Additional Long-Term Capital Gains and Losses

In columns A through F, enter in the appropriate column amounts from transactions completed prior to May 1, 2002. Enter in column A the gain or loss included in U.S. Form 1041, Schedule D, line 7, column f, from the sale or exchange of assets held more than one year but not more than two years. Enter in column B the gain or loss included in U.S. Form 1041, Schedule D, line 7, column f, from the sale or exchange of assets held more than two years but not more than three years. Enter in column C the gain or loss included in U.S. Form 1041, Schedule D, line 7, column f, from the sale or exchange of assets held more than three years but not more than four years. Enter in column D the gain or loss included in U.S. Form 1041, Schedule D, line 7, column f, from the sale or exchange of assets held more than four years but not more than five years. Enter in col-

umn E the gain or loss included in U.S. Form 1041, Schedule D, line 7, column f, from the sale or exchange of assets held more than five years but not more than six years. Enter in column F the gain or loss included in U.S. Form 1041, Schedule D, line 7, column f, from the sale or exchange of assets held more than six years. In column G enter amounts from transactions completed after April 30, 2002 regardless of the holding period.

Line 3. Net Long-Term Gain or Loss from Partnerships, S Corporations, Estates and Trusts

In columns A through F, enter in the appropriate column amounts from transactions completed prior to May 1, 2002. Enter in column A the gain or loss included in U.S. Form 1041, Schedule D, line 8, column f, from the sale or exchange of assets held more than one year but not more than two years. Enter in column B the gain or loss included in U.S. Form 1041, Schedule D, line 8, column f, from the sale or exchange of assets held more than two years but not more than three years. Enter in column C the gain or loss included in U.S. Form 1041, Schedule D, line 8, column f, from the sale or exchange of assets held more than three years but not more than four years. Enter in column D the gain or loss included in U.S. Form 1041, Schedule D, line 8, column f, from the sale or exchange of assets held more than four years but not more than five years. Enter in column E the gain or loss included in U.S. Form 1041, Schedule D, line 8, column f, from the sale or exchange of assets held more than five years but not more than six years. Enter in column F the gain or loss included in U.S. Form 1041, Schedule D, line 8, column f, from the sale or exchange of assets held more than six years. In column G enter amounts from transactions completed after April 30, 2002 regardless of the holding period.

If a partnership, S corporation, estate or trust does not report capital gains in a manner that allows you to determine the amounts attributable to specific transaction dates and/or holding periods report the amount in column G.

Line 4. Capital Gain Distributions

In columns A through F, enter in the appropriate column amounts from transactions completed prior to May 1, 2002. Enter in column A the capital gain distributions reported to you by a mutual fund or real estate investment trust included in U.S. Form 1041, Schedule D, line 9, column f, that were from the sale or exchange of assets held more than one year but not more than two years. Enter in column B the capital gain distributions reported to you by a mutual fund or real estate investment trust included in U.S. Form 1041, Schedule D, line 9, column f, that were from the sale or exchange of assets held more than two years but not more than three years. Enter in column C the capital gain distributions reported to you by a mutual fund or real estate investment trust included in U.S. Form 1041, Schedule D, line 9, column f, that were from the sale or exchange of assets held more than three years but not more than four years. Enter in column D the capital gain distributions reported to you by a mutual fund or real estate investment trust included in U.S. Form 1041, Schedule D, line 9, column f, that were from the sale or exchange of assets held more than four years but not more than five years. Enter in column E the capital gain distributions reported to you by a mutual fund or real estate investment trust included in U.S. Form 1041, Schedule D, line 9, column f, that were from the sale or exchange of assets held more than five years but not more than six years. Enter in column F the capital gain distributions reported to you by a mutual fund or real estate investment trust included in U.S. Form 1041, Schedule D, line 9, column f, that were from the sale or exchange of assets held more than six years. In column G enter amounts from transactions completed after April 30, 2002 regardless of the holding period.

If a mutual fund or real estate investment trust does not report capital gain distributions in a manner that allows you to determine the amounts attributable to specific transaction dates and/or holding periods report the amount in column G.

Line 5. Gain From U.S. Form 4797

In columns A through F, enter in the appropriate column amounts from transactions completed prior to May 1, 2002. Enter in column A the gain or loss included in U.S. Form 1041, Schedule D, line 10, column f, from the sale or exchange of assets held more than one year but not more than two years. Enter in column B the gain or loss included in U.S. Form 1041, Schedule D, line 10, column f, from the sale or exchange of assets held more than two years but not more than three years. Enter in column C the gain or loss included in U.S. Form 1041, Schedule D, line 10, column f, from the sale or exchange of assets held more than three years but not more than four years. Enter in column D the gain or loss included in U.S. Form 1041, Schedule D, line 10, column f, from the sale or exchange of assets held more than four years but not more than five years. Enter in column E the gain or loss included in U.S. Form 1041, Schedule D, line 10, column f, from the sale or exchange of assets held more than five years but not more than six years. Enter in column F the gain or loss included in U.S. Form 1041, Schedule D, line 10, column f, from the sale or exchange of assets held more than six years. In column G enter amounts from transactions completed after April 30, 2002 regardless of the holding period.

Line 6. Massachusetts Long-Term Capital Gains and Losses Included in U.S. Form 4797, Part II

Enter amounts included in U.S. Form 4797, Part II treated as capital gains or losses for Massachusetts purposes (not included in lines 1 through 5 above). These include ordinary gains from the sales of Section 1231 property, recapture amounts under Sections 1245 and 1250, Section 1244 losses and the loss on the sale, exchange or involuntary conversion of property used in a trade or business.

In columns A through F, enter in the appropriate column amounts from transactions completed prior to May 1, 2002. Enter in column A the gain or loss included in U.S. Form 4797, Part II from the sale or exchange of assets held more than one year but not more than two years. Enter in column B the gain or loss included in U.S. Form 4797, Part II from the sale or exchange of assets held more than two years but not more than three years. Enter in column C the gain or loss included in U.S. Form 4797, Part II from the sale or exchange of assets held more than three years but not more than four years. Enter in column D the gain or loss included in U.S. Form 4797, Part II from the sale or exchange of assets held more than four years but not more than five years. Enter in column E the gain or loss included in U.S. Form 4797, Part II from the sale or exchange of assets held more than five years but not more than six years. Enter in column F the gain or loss included in U.S. Form 4797, Part II from the sale or exchange of assets held more than six years. In column G enter amounts from transactions completed after April 30, 2002 regardless of the holding period.

Line 7. Carryover Losses from Previous Years

If you have a carryover loss from a prior year, enter in line 7 the amount of carryover losses from your 2001 Massachusetts Schedule D, line 28. This line is not applicable for column G.

Line 8. Subtotal

Combine lines 1 through 7, column A and enter the result in line 8, column A. Combine lines 1 through 7, column B and enter the result in line 8, column B. Combine lines 1 through 7, column C and enter

the result in line 8, column C. Combine lines 1 through 7, column D and enter the result in line 8, column D. Combine lines 1 through 7, column E and enter the result in line 8, column E. Combine lines 1 through 7, column F and enter the result in line 8, column F. Combine lines 1 through 6, column G and enter the result in line 8, column G.

Line 9. Net Gains or Losses Taxed to Other Fiduciaries

Enter in line 9 only gains or losses that are taxed directly on Massachusetts Fiduciary Return, Form 2, or other fiduciaries of which this entity is a beneficiary. Only exclude the amount if it is included in lines 1 through 7 of Schedule D. Enter the tax identification number of the other entity on an additional sheet of paper.

Note: Do not enter gains or losses from any grantor-type trust or from an estate or trust that is not taxed in Massachusetts.

Line 10. Exclude/Subtract Line 9 from Line 8

Exclude/subtract line 9 from line 8. If line 9 is a loss, add such loss as a positive number to the amounts recorded in line 8.

Line 11. Differences

Enter any differences between the gains or losses reportable for Massachusetts tax purposes and the U.S. gains or losses reported on Schedule D and U.S. Form 4797, Part II. Enter the amount of common trust fund gain included in line 10. This amount would have been carried over from your U.S. Form 1041, Schedule D, and is properly reported in Schedule D-1, line 1. Differences include:

- capital gains or losses that occurred while the taxpayer was legally domiciled in another state or country during the taxable year;
- capital gains or losses from transactions reported as installment sales for U.S. income tax purposes but not for Massachusetts; and
- Massachusetts has adopted basis adjustment rules to take into account differences between Massachusetts and U.S. tax laws.

Gains from pre-1996 installment sales classified as ordinary income and that are included on Massachusetts Schedule D, line 10 should be reported on Massachusetts Schedule D, line 11 ("Differences"). The amount of such gain classified as ordinary income should then be reported on Form 2, line 17 ("Other income") and identified as "2002 gain from pre-1996 installment sale."

Any entry in line 11 must be clearly explained in an attached statement.

Line 12. Massachusetts 2002 Gains or Losses

Exclude/subtract line 11 from line 10.

Line 13. Long-Term Gains on Collectibles

In columns A through F, enter in the appropriate column amounts from transactions completed prior to May 1, 2002. Enter in line 13, column A the amount of long-term gains on collectibles and pre-1996 installment sales classified as capital gain income for Massachusetts purposes that were from the sale or exchange of assets held for more than one year but not more than two years and that are included above. Enter in line 13, column B the amount of long-term gains on collectibles and pre-1996 installment sales classified as capital gain income for Massachusetts purposes that were from the sale or exchange of assets held for more than two years but not more than three years and that are included above. Enter in line 13, column C the amount of long-term gains on collectibles and pre-1996 installment sales classified as capital gain income for Massachusetts purposes that were from the sale or exchange of assets held for more than three years but not more than four years and that are included

above. Enter in line 13, column D the amount of long-term gains on collectibles and pre-1996 installment sales classified as capital gain income for Massachusetts purposes that were from the sale or exchange of assets held for more than four years but not more than five years and that are included above. Enter in line 13, column E the amount of long-term gains on collectibles and pre-1996 installment sales classified as capital gain income for Massachusetts purposes that were from the sale or exchange of assets held for more than five years but not more than six years and that are included above. Enter in line 13, column F the amount of long-term gains on collectibles and pre-1996 installment sales classified as capital gain income for Massachusetts purposes that were from the sale or exchange of assets held for more than six years and that are included above. In column G enter amounts from transactions completed after April 30, 2002 regardless of the holding period.

Add line 13, column A; line 13 column B; line 13, column C; line 13, column D; line 13, column E; line 13, column F and line 13, column G and enter the result in Schedule B, line 14.

Gains from pre-1996 installment sales are classified as either capital gains or ordinary income under the Massachusetts law in effect on the date the sale or exchange took place. Gains from pre-1996 installment sales that are classified as capital gains should be reported as 12% income on Massachusetts Schedule B. If the asset was held for more than one year when it was sold, the gain will be eligible for a 50% long-term deduction.

Gains from pre-1996 installment sales classified as ordinary income and that are included on Massachusetts Schedule D, line 10 should be reported on Massachusetts Schedule D, line 11 ("Differences"). The amount of such gain classified as ordinary income should then be reported on Form 2, line 17 ("Other income") and identified as "2002 gain from pre-1996 installment sale."

Collectibles are defined as any capital asset that is a collectible within the meaning of Internal Revenue Code section 408(m), as amended and in effect for the taxable year, including works of art, rugs, antiques, metals, gems, stamps, alcoholic beverages, certain coins, and any other items treated as collectibles for federal tax purposes.

Line 14. Subtotal

Subtract line 13, column A from line 12, column A and enter the result in line 14, column A. Subtract line 13, column B from line 12, column B and enter the result in line 14, column B. Subtract line 13, column C from line 12, column C and enter the result in line 14, column C. Subtract line 13, column D from line 12, column D and enter the result in line 14, column D. Subtract line 13, column E from line 12, column E and enter the result in line 14, column E. Subtract line 13, column F from line 12, column F and enter the result in line 14, column F. Subtract line 13, column G from line 12, column G and enter the result in line 14, column G.

If any amount in Schedule D, line 14, columns A, B, C, D, E, F or G is a gain and any amount in Schedule D, line 14, columns A, B, C, D, E, F or G is a loss, complete the Long-Term Capital Losses Applied Against Long-Term Capital Gains Worksheet for Schedule D, Line 15 on pages 17 through 21.

If any amount in Schedule D, line 14 is a gain, no other amount in Schedule D, line 14 is a loss, and Schedule B, line 27 is a positive amount, omit Schedule D, lines 15 through 19 and enter the amount from Schedule D, line 14 in Schedule D, line 20.

If any amount in Schedule D, line 14 is a loss, no other amount in Schedule D, line 14 is a gain, and Schedule B, line 27 is a positive

amount, omit Schedule D, line 15, enter the amount from Schedule D, line 14 in Schedule D, line 16 and complete the Long-Term Capital Losses Applied Against Short-Term Capital Gains Worksheet for Schedule B, Line 28 and Schedule D, Line 17 on page 13.

If any amount in Schedule D, line 14 is a gain, no other amount in Schedule D, line 14 is a loss, and Schedule B, line 24 is a loss, omit Schedule D, line 15, enter the amount from Schedule D, line 14 on Schedule D, line 16 and complete the Short-Term Capital Losses Applied Against Long-Term Capital Gains Worksheet for Schedule B, Line 25 and Schedule D, Line 17 on page 13.

If any amount in Schedule D, line 14 is a loss, no other amount in Schedule D, line 14 is a gain, and Schedule B, line 24 is a loss, omit Schedule D, lines 15 through 17, enter the amount from Schedule D, line 14 in Schedule D, line 18, and enter "0" on Form 2, line 39.

Line 15. Long-Term Capital Loss Applied Against Long-Term Capital Gains

Complete the Long-Term Capital Losses Applied Against Long-Term Capital Gains Worksheet for Schedule D, Line 15 only if any amount in Schedule D, line 14, columns A, B, C, D, E, F or G is a gain and any amount in Schedule D, line 14, columns A, B, C, D, E, F or G is a loss.

This worksheet was designed for the netting of long-term gains and losses. First, gains and losses within each holding period are netted. For example, 5% gains are applied against 5% losses, 4% gains are applied against 4% losses, 3% gains are applied against 3% losses, 2% gains are applied against 2% losses, 1% gains are applied against 1% losses, 0% gains are applied against 0% losses and 5.3% gains are applied against 5.3% losses. Then, any net losses within a particular holding period can be applied against net gains within other holding periods, beginning with the highest tax rate and applying any remaining losses against the next highest tax rate. For example, a 3% loss is first applied to 5% gains, any remaining loss is applied to 4% gains, and any loss still remaining then is applied against 2% gains.

If you need more information on how to net long-term gains against long-term losses, visit DOR's website at www.mass.gov/dor.

Long-Term Capital Losses Applied Against Long-Term Capital Gains Worksheet for Schedule D, Line 15. Complete only if any amount in Schedule D, line 14, columns A, B, C, D, E, F or G is a gain and any amount in Schedule D, line 14, columns A, B, C, D, E, F or G is a loss.

Part 1. Complete only if you have a gain in Schedule D, line 14, column A. Otherwise, enter "0" in lines 1 through 18 and go to Part 2.

1. Enter any gain from Schedule D, line 14, column A _____
2. Enter any loss from Schedule D, line 14, column B as positive figure. If Schedule D, line 14, column B is "0" or greater, enter "0" _____
3. If line 1 is smaller than or equal to line 2, enter line 1 here. If line 1 is larger than line 2, enter line 2 here _____
4. Subtract line 3 from line 1. _____
5. If line 4 is "0," enter "0" in lines 5 through 18 and go to Part 2. If line 4 is greater than "0," enter any loss from Schedule D, line 14, column C as a positive figure. If Schedule D, line 14, column C is "0" or greater, enter "0" _____
6. If line 4 is smaller than or equal to line 5, enter line 4 here. If line 4 is larger than line 5, enter line 5 here _____
7. Subtract line 6 from line 4. _____

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8. If line 7 is "0," enter "0" in lines 8 through 18 and go to Part 2. If line 7 is greater than "0," enter any loss from Schedule D, line 14, column D as a positive figure. If Schedule D, line 14, column D is "0" or greater, enter "0"
9. If line 7 is smaller than or equal to line 8, enter line 7 here. If line 7 is larger than line 8, enter line 8 here
10. Subtract line 9 from line 7.
11. If line 10 is "0," enter "0" in lines 11 through 18 and go to Part 2. If line 10 is greater than "0," enter any loss from Schedule D, line 14, column E as a positive figure. If Schedule D, line 14, column E is "0" or greater, enter "0"
12. If line 10 is smaller than or equal to line 11, enter line 10 here. If line 10 is larger than line 11, enter line 11 here
13. Subtract line 12 from line 10.
14. If line 13 is "0," enter "0" in lines 14 through 18 and go to Part 2. If line 13 is greater than "0," enter any loss from Schedule D, line 14, column F as a positive figure. If Schedule D, line 14, column F is "0" or greater, enter "0"
15. If line 13 is smaller than or equal to line 14, enter line 13 here. If line 13 is larger than line 14, enter line 14 here
16. Subtract line 15 from line 13.
17. If line 16 is "0," enter "0" in lines 17 and 18 and go to Part 2. If line 16 is greater than "0," enter any loss from Schedule D, line 14, column G as a positive figure. If Schedule D, line 14, column G is "0" or greater, enter "0"
18. If line 16 is smaller than or equal to line 17, enter line 16 here. If line 16 is larger than line 17, enter line 17 here

Part 2. Complete only if you have a gain in Schedule D, line 14, column B. Otherwise, enter "0" in lines 19 through 46 and go to Part 3.

19. Enter any gain from Schedule D, line 14, column B
20. Enter any loss from Schedule D, line 14, column A as a positive figure. If Schedule D, line 14, column A is "0" or greater, enter "0"
21. If line 19 is smaller than or equal to line 20, enter line 19 here. If line 19 is larger than line 20, enter line 20 here
22. Subtract line 21 from line 19.
23. If line 22 is "0," enter "0" in lines 23 through 46 and go to Part 3. If line 22 is greater than "0," enter any loss from Schedule D, line 14, column C as a positive figure. If Schedule D, line 14, column C is "0" or greater, enter "0"
24. Enter the amount from line 6
25. Subtract line 24 from line 23.
26. If line 22 is smaller than or equal to line 25, enter line 22 here. If line 22 is larger than line 25, enter line 25 here
27. Subtract line 26 from line 22.
28. If line 27 is "0," enter "0" in lines 28 through 46 and go to Part 3. If line 27 is greater than "0," enter any loss from Schedule D, line 14, column D as a positive figure. If Schedule D, line 14, column D is "0" or greater, enter "0"
29. Enter the amount from line 9
30. Subtract line 29 from line 28.
31. If line 27 is smaller than or equal to line 30, enter line 27 here. If line 27 is larger than line 30, enter line 30 here
32. Subtract line 31 from line 27.
33. If line 32 is "0," enter "0" in lines 33 through 46 and go to Part 3. If line 32 is greater than "0," enter any loss from Schedule D, line 14, column E as a positive figure. If Schedule D, line 14, column E is "0" or greater, enter "0"
34. Enter the amount from line 12
35. Subtract line 34 from line 33.
36. If line 32 is smaller than or equal to line 35, enter line 32 here. If line 32 is larger than line 35, enter line 35 here
37. Subtract line 36 from line 32.

38. If line 37 is "0," enter "0" in lines 38 through 46 and go to Part 3. If line 37 is greater than "0," enter any loss from Schedule D, line 14, column F as a positive figure. If Schedule D, line 14, column F is "0" or greater, enter "0"
39. Enter the amount from line 15
40. Subtract line 39 from line 38.
41. If line 37 is smaller than or equal to line 40, enter line 37 here. If line 37 is larger than line 40, enter line 40 here
42. Subtract line 41 from line 37.
43. If line 42 is "0," enter "0" in lines 43 through 46 and go to Part 3. If line 42 is greater than "0," enter any loss from Schedule D, line 14, column G as a positive figure. If Schedule D, line 14, column G is "0" or greater, enter "0"
44. Enter the amount from line 18
45. Subtract line 44 from line 43.
46. If line 42 is smaller than or equal to line 45, enter line 42 here. If line 42 is larger than line 45, enter line 45 here

Part 3. Complete only if you have a gain in Schedule D, line 14, column C. Otherwise, enter "0" in lines 47 through 76 and go to Part 4.

47. Enter any gain from Schedule D, line 14, column C
48. Enter any loss from Schedule D, line 14, column A as a positive figure. If Schedule D, line 14, column A is "0" or greater, enter "0"
49. Enter the amount from line 21
50. Subtract line 49 from line 48.
51. If line 47 is smaller than or equal to line 50, enter line 47 here. If line 47 is larger than line 50, enter line 50 here
52. Subtract line 51 from line 47.
53. If line 52 is "0," enter "0" in lines 53 through 76 and go to Part 4. If line 52 is greater than "0," enter any loss from Schedule D, line 14, column B as a positive figure. If Schedule D, line 14, column B is "0" or greater, enter "0"
54. Enter the amount from line 3
55. Subtract line 54 from line 53.
56. If line 52 is smaller than or equal to line 55, enter line 52 here. If line 52 is larger than line 55, enter line 55 here
57. Subtract line 56 from line 52.
58. If line 57 is "0," enter "0" in lines 58 through 76 and go to Part 4. If line 57 is greater than "0," enter any loss from Schedule D, line 14, column D as a positive figure. If Schedule D, line 14, column D is "0" or greater, enter "0"
59. Add line 9 and line 31
60. Subtract line 59 from line 58.
61. If line 57 is smaller than or equal to line 60, enter line 57 here. If line 57 is larger than line 60, enter line 60 here
62. Subtract line 61 from line 57.
63. If line 62 is "0," enter "0" in lines 63 through 76 and go to Part 4. If line 62 is greater than "0," enter any loss from Schedule D, line 14, column E as a positive figure. If Schedule D, line 14, column E is "0" or greater, enter "0"
64. Add line 12 and line 36
65. Subtract line 64 from line 63.
66. If line 62 is smaller than or equal to line 65, enter line 62 here. If line 62 is larger than line 65, enter line 65 here
67. Subtract line 66 from line 62.
68. If line 67 is "0," enter "0" in lines 68 through 76 and go to Part 4. If line 67 is greater than "0," enter any loss from Schedule D, line 14, column F as a positive figure. If Schedule D, line 14, column F is "0" or greater, enter "0"
69. Add line 15 and line 41
70. Subtract line 69 from line 68.
71. If line 67 is smaller than or equal to line 70, enter line 67 here. If line 67 is larger than line 70, enter line 70 here
72. Subtract line 71 from line 67.

73. If line 72 is "0," enter "0" in lines 73 through 76 and go to Part 4. If line 72 is greater than "0," enter any loss from Schedule D, line 14, column G as a positive figure. If Schedule D, line 14, column G is "0" or greater, enter "0"
74. Add line 18 and line 46
75. Subtract line 74 from line 73.
76. If line 72 is smaller than or equal to line 75, enter line 72 here. If line 72 is larger than line 75, enter line 75 here

Part 4. Complete only if you have a gain in Schedule D, line 14, column D. Otherwise, enter "0" in lines 77 through 106 and go to Part 5.

77. Enter any gain from Schedule D, line 14, column D.
78. Enter any loss from Schedule D, line 14, column A as a positive figure. If Schedule D, line 14, column A is "0" or greater, enter "0"
79. Add line 21 and line 51
80. Subtract line 79 from line 78.
81. If line 77 is smaller than or equal to line 80, enter line 77 here. If line 77 is larger than line 80, enter line 80 here
82. Subtract line 81 from line 77.
83. If line 82 is "0," enter "0" in lines 83 through 106 and go to Part 5. If line 82 is greater than "0," enter any loss from Schedule D, line 14, column B as a positive figure. If Schedule D, line 14, column B is "0" or greater, enter "0"
84. Add line 3 and line 56
85. Subtract line 84 from line 83.
86. If line 82 is smaller than or equal to line 85, enter line 82 here. If line 82 is larger than line 85, enter line 85 here
87. Subtract line 86 from line 82.
88. If line 87 is "0," enter "0" in lines 88 through 106 and go to Part 5. If line 87 is greater than "0," enter any loss from Schedule D, line 14, column C as a positive figure. If Schedule D, line 14, column C is "0" or greater, enter "0"
89. Add line 6 and line 26
90. Subtract line 89 from line 88.
91. If line 87 is smaller than or equal to line 90, enter line 87 here. If line 87 is larger than line 90, enter line 90 here
92. Subtract line 91 from line 87.
93. If line 92 is "0," enter "0" in lines 93 through 106 and go to Part 5. If line 92 is greater than "0," enter any loss from Schedule D, line 14, column E as a positive figure. If Schedule D, line 14, column E is "0" or greater, enter "0"
94. Add lines 12, 36 and 66
95. Subtract line 94 from line 93.
96. If line 92 is smaller than or equal to line 95, enter line 92 here. If line 92 is larger than line 95, enter line 95 here
97. Subtract line 96 from line 92.
98. If line 97 is "0," enter "0" in lines 98 through 106 and go to Part 5. If line 97 is greater than "0," enter any loss from Schedule D, line 14, column F as a positive figure. If Schedule D, line 14, column F is "0" or greater, enter "0"
99. Add lines 15, 41 and 71
100. Subtract line 99 from line 98.
101. If line 97 is smaller than or equal to line 100, enter line 97 here. If line 97 is larger than line 100, enter line 100 here.
102. Subtract line 101 from line 97.
103. If line 102 is "0," enter "0" in lines 103 through 106 and go to Part 5. If line 102 is greater than "0," enter any loss from Schedule D, line 14, column G as a positive figure. If Schedule D, line 14, column G is "0" or greater, enter "0"
104. Add lines 18, 46 and 76
105. Subtract line 104 from line 103
106. If line 102 is smaller than or equal to line 105, enter line 102 here. If line 102 is larger than line 105, enter line 105 here.

Part 5. Complete only if you have a gain in Schedule D, line 14, column E. Otherwise, enter "0" in lines 107 through 136 and go to Part 6.

107. Enter any gain from Schedule D, line 14, column E.
108. Enter any loss from Schedule D, line 14, column A as a positive figure. If Schedule D, line 14, column A is "0" or greater, enter "0"
109. Add lines 21, 51 and 81
110. Subtract line 109 from line 108
111. If line 107 is smaller than or equal to line 110, enter line 107 here. If line 107 is larger than line 110, enter line 110 here.
112. Subtract line 111 from line 107
113. If line 112 is "0," enter "0" in lines 113 through 136 and go to Part 6. If line 112 is greater than "0," enter any loss from Schedule D, line 14, column B as a positive figure. If Schedule D, line 14, column B is "0" or greater, enter "0"
114. Add lines 3, 56 and 86
115. Subtract line 114 from line 113
116. If line 112 is smaller than or equal to line 115, enter line 112 here. If line 112 is larger than line 115, enter line 115 here.
117. Subtract line 116 from line 112
118. If line 117 is "0," enter "0" in lines 118 through 136 and go to Part 6. If line 117 is greater than "0," enter any loss from Schedule D, line 14, column C as a positive figure. If Schedule D, line 14, column C is "0" or greater, enter "0"
119. Add lines 6, 26 and 91
120. Subtract line 119 from line 118
121. If line 117 is smaller than or equal to line 120, enter line 117 here. If line 117 is larger than line 120, enter line 120 here.
122. Subtract line 121 from line 117
123. If line 122 is "0," enter "0" in lines 123 through 136 and go to Part 6. If line 122 is greater than "0," enter any loss from Schedule D, line 14, column D as a positive figure. If Schedule D, line 14, column D is "0" or greater, enter "0"
124. Add lines 9, 31 and 61
125. Subtract line 124 from line 123
126. If line 122 is smaller than or equal to line 125, enter line 122 here. If line 122 is larger than line 125, enter line 125 here.
127. Subtract line 126 from line 122
128. If line 127 is "0," enter "0" in lines 128 through 136 and go to Part 6. If line 127 is greater than "0," enter any loss from Schedule D, line 14, column F as a positive figure. If Schedule D, line 14, column F is "0" or greater, enter "0"
129. Add lines 15, 41, 71 and 101
130. Subtract line 129 from line 128
131. If line 127 is smaller than or equal to line 130, enter line 127 here. If line 127 is larger than line 130, enter line 130 here.
132. Subtract line 131 from line 127
133. If line 132 is "0," enter "0" in lines 133 through 136 and go to Part 6. If line 132 is greater than "0," enter any loss from Schedule D, line 14, column G as a positive figure. If Schedule D, line 14, column G is "0" or greater, enter "0"
134. Add lines 18, 46, 76 and 106
135. Subtract line 134 from line 133
136. If line 132 is smaller than or equal to line 135, enter line 132 here. If line 132 is larger than line 135, enter line 135 here.

Part 6. Complete only if you have a gain in Schedule D, line 14, column F. Otherwise, enter "0" in lines 137 through 166 and go to Part 7.

137. Enter any gain from Schedule D, line 14, column F.
138. Enter any loss from Schedule D, line 14, column A as a positive figure. If Schedule D, line 14, column A is "0" or greater, enter "0"

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139. Add lines 21, 51, 81 and 111
140. Subtract line 139 from line 138
141. If line 137 is smaller than or equal to line 140, enter line 137 here. If line 137 is larger than line 140, enter line 140 here.
142. Subtract line 141 from line 137
143. If line 142 is "0," enter "0" in lines 143 through 166 and go to Part 7. If line 142 is greater than "0," enter any loss from Schedule D, line 14, column B as a positive figure. If Schedule D, line 14, column B is "0" or greater, enter "0"
144. Add lines 3, 56, 86 and 116
145. Subtract line 144 from line 143
146. If line 142 is smaller than or equal to line 145, enter line 142 here. If line 142 is larger than line 145, enter line 145 here.
147. Subtract line 146 from line 142
148. If line 147 is "0," enter "0" in lines 148 through 166 and go to Part 7. If line 147 is greater than "0," enter any loss from Schedule D, line 14, column C as a positive figure. If Schedule D, line 14, column C is "0" or greater, enter "0"
149. Add lines 6, 26, 91 and 121
150. Subtract line 149 from line 148
151. If line 147 is smaller than or equal to line 150, enter line 147 here. If line 147 is larger than line 150, enter line 150 here.
152. Subtract line 151 from line 147
153. If line 152 is "0," enter "0" in lines 153 through 166 and go to Part 7. If line 152 is greater than "0," enter any loss from Schedule D, line 14, column D as a positive figure. If Schedule D, line 14, column D is "0" or greater, enter "0"
154. Add lines 9, 31, 61 and 126
155. Subtract line 154 from line 153
156. If line 152 is smaller than or equal to line 155, enter line 152 here. If line 152 is larger than line 155, enter line 155 here.
157. Subtract line 156 from line 152
158. If line 157 is "0," enter "0" in lines 158 through 166 and go to Part 7. If line 157 is greater than "0," enter any loss from Schedule D, line 14, column E as a positive figure. If Schedule D, line 14, column E is "0" or greater, enter "0"
159. Add lines 12, 36, 66 and 96
160. Subtract line 159 from line 158
161. If line 157 is smaller than or equal to line 160, enter line 157 here. If line 157 is larger than line 160, enter line 160 here.
162. Subtract line 161 from line 157
163. If line 162 is "0," enter "0" in lines 163 through 166 and go to Part 7. If line 162 is greater than "0," enter any loss from Schedule D, line 14, column G as a positive figure. If Schedule D, line 14, column G is "0" or greater, enter "0"
164. Add lines 18, 46, 76, 106 and 136
165. Subtract line 164 from line 163
166. If line 162 is smaller than or equal to line 165, enter line 162 here. If line 162 is larger than line 165, enter line 165 here.

Part 7. Complete only if you have a gain in Schedule D, line 14, column G. Otherwise, enter "0" in lines 167 through 196 and go to Part 8.

167. Enter any gain from Schedule D, line 14, column G.
168. Enter any loss from Schedule D, line 14, column A as a positive figure. If Schedule D, line 14, column A is "0" or greater, enter "0"
169. Add lines 21, 51, 81, 111 and 141
170. Subtract line 169 from line 168
171. If line 167 is smaller than or equal to line 170, enter line 167 here. If line 167 is larger than line 170, enter line 170 here.
172. Subtract line 171 from line 167

173. If line 172 is "0," enter "0" in lines 173 through 196 and go to Part 8. If line 172 is greater than "0," enter any loss from Schedule D, line 14, column B as a positive figure. If Schedule D, line 14, column B is "0" or greater, enter "0"
174. Add lines 3, 56, 86, 116 and 146
175. Subtract line 174 from line 173
176. If line 172 is smaller than or equal to line 175, enter line 172 here. If line 172 is larger than line 175, enter line 175 here.
177. Subtract line 176 from line 172
178. If line 177 is "0," enter "0" in lines 178 through 196 and go to Part 8. If line 177 is greater than "0," enter any loss from Schedule D, line 14, column C as a positive figure. If Schedule D, line 14, column C is "0" or greater, enter "0"
179. Add lines 6, 26, 91, 121 and 151
180. Subtract line 179 from line 178
181. If line 177 is smaller than or equal to line 180, enter line 177 here. If line 177 is larger than line 180, enter line 180 here.
182. Subtract line 181 from line 177
183. If line 182 is "0," enter "0" in lines 183 through 196 and go to Part 8. If line 182 is greater than "0," enter any loss from Schedule D, line 14, column D as a positive figure. If Schedule D, line 14, column D is "0" or greater, enter "0"
184. Add lines 9, 31, 61, 126 and 156
185. Subtract line 184 from line 183
186. If line 182 is smaller than or equal to line 185, enter line 182 here. If line 182 is larger than line 185, enter line 185 here.
187. Subtract line 186 from line 182
188. If line 187 is "0," enter "0" in lines 188 through 196 and go to Part 8. If line 187 is greater than "0," enter any loss from Schedule D, line 14, column E as a positive figure. If Schedule D, line 14, column E is "0" or greater, enter "0"
189. Add lines 12, 36, 66, 96 and 161
190. Subtract line 189 from line 188
191. If line 187 is smaller than or equal to line 190, enter line 187 here. If line 187 is larger than line 190, enter line 190 here.
192. Subtract line 191 from line 187
193. If line 192 is "0," enter "0" in lines 193 through 196 and go to Part 8. If line 192 is greater than "0," enter any loss from Schedule D, line 14, column F as a positive figure. If Schedule D, line 14, column F is "0" or greater, enter "0"
194. Add lines 15, 41, 71, 101 and 131
195. Subtract line 194 from line 193
196. If line 192 is smaller than or equal to line 195, enter line 192 here. If line 192 is larger than line 195, enter line 195 here.
- Part 8. Complete only if you have completed 2, 3, 4, 5, 6 or 7
197. If Schedule D, line 14, column A is a gain, add lines 3, 6, 9, 12, 15 and 18. Enter result here and in Schedule D, line 15, column A as a negative amount. This is the amount of any long-term losses applied to offset long-term capital gains taxed at 5%. If Schedule D, line 14, column A is a loss, add lines 21, 51, 81, 111, 141 and 171. Enter result here and in Schedule D, line 15, column A as a positive amount. This is the amount of long-term losses from assets held for more than one year but not more than two years applied to offset other long-term capital gains
198. If Schedule D, line 14, column B is a gain, add lines 21, 26, 31, 36, 41 and 46. Enter result here and in Schedule D, line 15, column B as a negative amount. This is the amount of any long-term losses applied to offset long-term capital gains taxed at 4%. If Schedule D, line 14, column B is a loss, add lines 3, 56, 86, 116, 146 and 176. Enter result here and in Schedule D, line 15, column B as a positive amount. This is the amount of long-term losses from assets held for more than two years but not more than three years applied to offset other long-term capital gains

199. If Schedule D, line 14, column C is a gain, add lines 51, 56, 61, 66, 71 and 76. Enter result here and in Schedule D, line 15, column C as a negative amount. This is the amount of any long-term losses applied to offset long-term capital gains taxed at 3%. If Schedule D, line 14, column C is a loss, add lines 6, 26, 91, 121, 151 and 181. Enter result here and in Schedule D, line 15, column C as a positive amount. This is the amount of long-term losses from assets held for more than three years but not more than four years applied to offset other long-term capital gains

200. If Schedule D, line 14, column D is a gain, add lines 81, 86, 91, 96, 101 and 106. Enter result here and in Schedule D, line 15, column D as a negative amount. This is the amount of any long-term losses applied to offset long-term capital gains taxed at 2%. If Schedule D, line 14, column D is a loss, add lines 9, 31, 61, 126, 156 and 186. Enter result here and in Schedule D, line 15, column D as a positive amount. This is the amount of long-term losses from assets held for more than four years but not more than five years applied to offset other long-term capital gains

201. If Schedule D, line 14, column E is a gain, add lines 111, 116, 121, 126, 131 and 136. Enter result here and in Schedule D, line 15, column E as a negative amount. This is the amount of any long-term losses applied to offset long-term capital gains taxed at 1%. If Schedule D, line 14, column E is a loss, add lines 12, 36, 66, 96, 161 and 191. Enter result here and in Schedule D, line 15, column E as a positive amount. This is the amount of long-term losses from assets held for more than five years but not more than six years applied to offset other long-term capital gains

202. If Schedule D, line 14, column F is a gain, add lines 141, 146, 151, 156, 161 and 166. Enter result here and in Schedule D, line 15, column F as a negative amount. This is the amount of any long-term losses applied to offset long-term capital gains taxed at 0%. If Schedule D, line 14, column F is a loss, add lines 15, 41, 71, 101, 131 and 196. Enter result here and in Schedule D, line 15, column F as a positive amount. This is the amount of long-term losses from assets held for more than six years applied to offset other long-term capital gains

203. If Schedule D, line 14, column G is a gain, add lines 171, 176, 181, 186, 191 and 196. Enter result here and in Schedule D, line 15, column G as a negative amount. This is the amount of any long-term losses applied to offset long-term capital gains taxed at 5.3%. If Schedule D, line 14, column G is a loss, add lines 18, 46, 76, 106, 136 and 166. Enter result here and in Schedule D, line 15, column G as a positive amount. This is the amount of long-term losses from transactions completed after April 30, 2002 applied to offset other long-term capital gains

Line 16. Subtotal

Combine line 14, column A with line 15, column A and enter the result in line 16, column A. Combine line 14, column B with line 15, column B and enter the result in line 16, column B. Combine line 14, column C with line 15, column C and enter the result in line 16, column C. Combine line 14, column D with line 15, column D and enter the result in line 16, column D. Combine line 14, column E with line 15, column E and enter the result in line 16, column E. Combine line 14, column F with line 15, column F and enter the result in line 16, column F. Combine line 14, column G with line 15, column G and enter the result in line 16, column G.

Note: After completing Schedule D, line 16, all amounts in Schedule D, line 16, columns A, B, C, D, E, F and G should be either "0" and/or gain(s) or "0" and/or loss(es). If all amounts in Schedule D, line 16 are "0," omit Schedule D, lines 17 through 28 and enter "0" in Form 2, line 39.

If any amount in line Schedule D, 16 is a loss, and Schedule B, line 27 is a positive amount, complete the Long-Term Capital Losses Applied Against Short-Term Capital Gains Worksheet for Schedule B, Line 28 and Schedule D, Line 17 on page 13.

If any amount in Schedule D, line 16 is a gain and Schedule B, line 27 is a positive amount, omit Schedule D, lines 17 through 19 and enter the amount from Schedule D, line 16 in Schedule D, line 20.

If any amount in Schedule D, line 16 is a gain and Schedule B, line 24 is a loss, complete the Short-Term Capital Losses Applied Against Long-Term Capital Gains Worksheet for Schedule B, Line 25 and Schedule D, Line 17 on page 13.

If any amount in Schedule D, line 16 is a loss and Schedule B, line 24 is a loss, omit Schedule D, line 17, enter the amount from Schedule D, line 16 in Schedule D, line 18, and enter "0" in Form 2, line 39.

Line 17. Capital Losses Applied Against Capital Gains

Complete the Long-Term Capital Losses Applied Against Short-Term Capital Gains Worksheet for Schedule B, Line 28 and Schedule D, Line 17 only if Schedule B, line 27 is a positive amount and any amount in Schedule D, line 16, columns A, B, C, D, E, F or G is a loss. When completing the worksheet, be sure to enter all losses as a positive amount.

If any amount in Schedule D, line 16 is a gain and Schedule B, line 24 is a loss, complete the Short-Term Capital Losses Applied Against Long-Term Capital Gains Worksheet for Schedule B, Line 25 and Schedule D, Line 17 on page 13.

If any amount in Schedule D, line 16 is a gain and Schedule B, line 24 is a gain, omit Schedule D, lines 17 and 18 and enter the amount from Schedule D, line 16 in Schedule D, line 20.

If any amount in Schedule D is a loss, Schedule B, line 24 is a "0" or greater and Schedule B, line 34 is a positive figure complete the Long-Term Capital Losses Applied Against Interest and Dividends Worksheet for Schedule B, line 35 and Schedule D, line 19.

Line 18. Subtotal

Combine line 16, column A with line 17, column A and enter the result in line 18, column A. Combine line 16, column B with line 17, column B and enter the result in line 18, column B. Combine line 16, column C with line 17, column C and enter the result in line 18, column C. Combine line 16, column D with line 17, column D and enter the result in line 18, column D. Combine line 16, column E with line 17, column E and enter the result in line 18, column E. Combine line 16, column F with line 17, column F and enter the result in line 18, column F. Combine line 16, column G with line 17, column G and enter the result in line 18, column G.

Line 19. Long-Term Capital Losses Applied Against Interest and Dividends

Complete the Long-Term Capital Losses Applied Against Interest and Dividends Worksheet for Schedule B, Line 35 and Schedule D, Line 19 only if Schedule B, line 34 is a positive amount and any amount in Schedule D, line 18, columns A, B, C, D, E, F or G is a loss.

Line 20. Subtotal

Combine line 18, column A with line 19, column A and enter the result in line 20, column A.

Combine line 18, column A with line 19, column B and enter the result in line 20, column B.

Combine line 18, column A with line 19, column C and enter the result in line 20, column C.

Combine line 18, column A with line 19, column D and enter the result in line 20, column D.

Combine line 18, column A with line 19, column E and enter the result in line 20, column E.

Combine line 18, column A with line 19, column F and enter the result in line 20, column F.

Combine line 18, column A with line 19, column G and enter the result in line 20, column G.

If all amounts in line 20 are "0" or less, omit Schedule D, lines 21 through 27 and enter the total of line 20, columns A, B, C, D, E, F and G in Schedule D, line 28. Also, enter "0" in Form 2, line 39. Otherwise, complete line 21.

If all amounts in Schedule D, line 20 are "0," omit Schedule D, lines 21 through 28 and enter "0" in Form 2, line 39.

Line 21. Allowable Deductions From Your Trade or Business

Generally, taxpayers may not use excess 5.3% trade or business deductions to offset other income. However, Massachusetts law allows such offsets if the following requirements are met: the excess 5.3% deductions must be adjusted gross income deductions allowed under MGL Ch. 62, sec. 2(d); and these excess deductions may only be used to offset other income which is effectively connected with the active conduct of a trade or business or any other income allowed under IRC, sec. 469(d)(1)(B) to offset losses from passive activities. Enclose Schedule C-2 with your return.

Enter in line 21, column A the amount from Schedule C-2, line 15. Enter in line 21, column B the amount from Schedule C-2, line 17. Enter in line 21, column C the amount from Schedule C-2, line 19. Enter in line 21, column D the amount from Schedule C-2, line 21. Enter in line 21, column E the amount from Schedule C-2, line 23. Enter in line 21, column F the amount from Schedule C-2, line 25. Enter in line 21, column G the amount from Schedule C-2, line 27.

Line 22. Subtotal

Subtract line 21, column A from line 20, column A and enter the result in line 22, column A. Not less than "0." Subtract line 21, column B from line 20, column B and enter the result in line 22, column B. Not less than "0." Subtract line 21, column C from line 20, column C and enter the result in line 22, column C. Not less than "0." Subtract line 21, column D from line 20, column D and enter the result in line 22, column D. Not less than "0." Subtract line 21, column E from line 20, column E and enter the result in line 22, column E. Not less than "0." Subtract line 21, column F from line 20, column F and enter the result in line 22, column F. Not less than "0." Subtract line 21, column G from line 20, column G and enter the result in line 22, column G. Not less than "0."

If all amounts in Schedule D, line 22 are "0," omit Schedule D, lines 23 through 28 and enter "0" in Form 2, line 39.

Line 23. Modified Gross Long-Term Capital Gains

Enter the modified gross income in Massachusetts. The only modifications are for amounts of non-Massachusetts source income paid to/or vested in nonresidents of Massachusetts. No amount of capital gains accumulated for an unascertained remainder may be deducted in determining amounts reportable in line 23. If there is Massachusetts source income in line 23, refer to the instructions for Form 2, line 19. Explain if line 23 is different from line 22.

Lines 24a and b. Beneficiaries' Exemptions

Enter the amount assignable to beneficiaries with No Tax Status in line 24a, columns A, B, C, D, E, F and G as applicable. Enter the amount applicable to beneficiaries' unused personal exemptions in

line 24b, columns A, B, C, D, E, F and G as applicable. See the section on Beneficiaries' Claims. Form 20 or 20A and Form 1 must be attached to substantiate the claim.

Line 25. Adjusted Long-Term Capital Gains and Losses

Subtract lines 24a, column A and 24b, column A from line 23, column A and enter the result in line 25, column A. Subtract lines 24a, column B and 24b, column B from line 23, column B and enter the result in line 25, column B. Subtract lines 24a, column C and 24b, column C from line 23, column C and enter the result in line 25, column C. Subtract lines 24a, column D and 24b, column D from line 23, column D and enter the result in line 25, column D. Subtract lines 24a, column E and 24b, column E from line 23, column E and enter the result in line 25, column E. Subtract lines 24a, column F and 24b, column F from line 23, column F and enter the result in line 25, column F. Subtract lines 24a, column G and 24b, column G from line 23, column G and enter the result in line 25, column G.

Line 26. Tax on Capital Gains by Holding Period

Multiply the amount in line 25, column A by .05 (5%) and enter the result in line 26, column A. Multiply the amount in line 25, column B by .04 (4%) and enter the result in line 26, column B. Multiply the amount in line 25, column C by .03 (3%) and enter the result in line 26, column C. Multiply the amount in line 25, column D by .02 (2%) and enter the result in line 26, column D. Multiply the amount in line 25, column E by .01 (1%) and enter the result in line 26, column E. Multiply the amount in line 25, column G by .053 (5.3%) and enter the result in line 26, column G.

Line 27. Tax on Long-Term Capital Gains

Add line 26A, line 26B, line 26C, line 26D, line 26E and line 26G. Enter result here and in Form 2, line 39.

Line 28. Available Losses for Carryover

Enter the total of Schedule D, line 20, columns A through G.

Schedule D-1. Long-Term Common Trust Fund Capital Gains

Line 1. Long-Term Common Trust Fund Capital Gains

In columns A through F, enter in the appropriate columns amounts from transactions completed prior to May 1, 2002. Enter in column A the amount of capital gains from a common trust fund of which this taxpayer is a participant that were from the sale or exchange of assets held more than one year but not more than two years. Enter in column B the amount of capital gains from a common trust fund of which this taxpayer is a participant that were from the sale or exchange of assets held more than two years but not more than three years. Enter in column C the amount of capital gains from a common trust fund of which this taxpayer is a participant that were from the sale or exchange of assets held more than three years but not more than four years. Enter in column D the amount of capital gains from a common trust fund of which this taxpayer is a participant that were from the sale or exchange of assets held more than four years but not more than five years. Enter in column E the amount of capital gains from a common trust fund of which this taxpayer is a participant that were from the sale or exchange of assets held more than five years but not more than six years. Enter in column F the amount of capital gains from a common trust fund of which this taxpayer is a participant that were from the sale or exchange of assets held more than six years. In column G enter, amounts from transactions completed after April 30, 2002.

If a common trust fund does not report capital gains in a manner that allows you to determine the amounts attributable to specific holding periods and/or transaction dates, report the amount in column G.

Line 2. Modified Gross Long-Term Common Trust Fund Capital Gains

Enter the modified gross income in Massachusetts. The only modifications are for amounts of non-Massachusetts source income paid to/or vested in nonresidents of Massachusetts. No amount of capital gains accumulated for an unascertained remainder may be deducted in determining amounts reportable in line 2. If there is Massachusetts source income in line 1, refer to the instructions for Form 2, line 19. Explain if line 2 is different from line 1.

Line 3a and b. Beneficiaries' Exemptions

Enter the amount assignable to beneficiaries with No Tax Status in line 3a, columns A, B, C, D, E, F and G as applicable. Enter the amount applicable to beneficiaries' unused personal exemptions in line 3b, columns A, B, C, D, E, F and G as applicable. See the section on Beneficiaries' Claims. Form 20 or 20A and Form 1 must be attached to substantiate the claim.

Line 4. Adjusted Long-Term Capital Gains and Losses

Subtract lines 3a, column A and 3b, column A from line 2, column A and enter the result in line 4, column A. Subtract lines 3a, column B and 3b, column B from line 2, column B and enter the result in line 4, column B. Subtract lines 3a, column C and 3b, column C from line 2, column C and enter the result in line 4, column C. Subtract lines 3a, column D and 3b, column D from line 2, column D and enter the result in line 4, column D. Subtract lines 3a, column E and 3b, column E from line 2, column E and enter the result in line 4, column E. Subtract lines 3a, column F and 3b, column F from line 2, column F and enter the result in line 4, column F. Subtract lines 3a, column G and 3b, column G from line 2, column G and enter the result in line 4, column G.

Line 5. Tax on Capital Gains by Holding Period

Multiply the amount in line 4, column A by .05 (5%) and enter the result in line 5, column A. Multiply the amount in line 4, column B by .04 (4%) and enter the result in line 5, column B. Multiply the amount in line 4, column C by .03 (3%) and enter the result in line 5, column C. Multiply the amount in line 4, column D by .02 (2%) and enter the result in line 5, column D. Multiply the amount in line 4, column E by .01 (1%) and enter the result in line 5, column E. Multiply the amount in line 4, column G by .053 (5.31%) and enter the result in line 5, column G.

Line 6. Tax on Long-Term Capital Gains

Add line 5, column A; line 5, column B; line 5, column C; line 5, column D; line 5, column E and line 5, column G. Enter the result in line 6 and on Form 2, line 40.

Schedule E. Rental, Royalty and REMIC Income or Loss

Attach a copy of the U.S. Schedule E and U.S. Form 8582.

Rental income from property located in Massachusetts attributable to either a Massachusetts domiciliary, or to a resident decedent, is defined as Massachusetts source income and is taxed at 100%, regardless of the domicile of the beneficiary. In the case of a beneficiary domiciled in Massachusetts, rental income from real estate, wherever located, attributable to such beneficiary is taxed at 100%.

In the case of a nonresident beneficiary, income from rental property located outside Massachusetts is not subject to taxation, unless it is accumulated for unknown or unascertained persons, or persons with uncertain interests.

For a decedent's estate, if the executor is authorized or directed in the will to occupy the decedent's realty and collect rents therefrom, or in the absence of a will, the court decree, appointing a temporary executor or administrator, authorizes the same, then to the extent of any income collected, it is reported in line 1. Generally, the income is reported on the Form 1 of the heir or devisee taking either title or control and possession of the property, because under Massachusetts law, title to real property vests immediately upon death in the devisee or heirs at law. The income is taxed on Form 2 only when the real estate is under administration or the person taking title or possession is the executor or administrator.

Line 1a. Rental and Royalty Income or Loss

Enter in line 1a the total rental income or loss from U.S. Form 1040, Schedule E, Part I, line 26 and Part V, line 39.

Line 1b. Real Estate Mortgage Investment Conduit (REMIC) Income or Loss

Enter in line 1b the total Real Estate Mortgage Investment Conduit (REMIC) residual income or loss from U.S. Schedule E, Part IV, line 38.

Line 1. Subtotal

Combine lines 1a and 1b, and enter in line 1.

Line 2. Massachusetts Differences

Enter and explain any differences between rental, royalty and REMIC income on the Massachusetts return. Possible differences include part-year resident status or trust provisions. As a result of differences in U.S. and Massachusetts rules in 1987, the calculations you made for passive losses on your 1987 U.S. and Massachusetts returns may have differed. Differences in 1987 and 2002 amounts reported for U.S. and Massachusetts tax purposes should be adjusted for when the property is disposed of or the deduction is used up.

To the extent there are applicable adjustments for Massachusetts differences, taxpayers must calculate allowable losses on a pro forma U.S. Form 8582, Passive Activity Loss Limitations.

For more information, see TIR 88-12 or *Guide to Filing Your 2002 Massachusetts Income Taxes*.

Line 3. Abandoned Building Renovation Deduction

Massachusetts allows a deduction from income of 10% of the costs incurred in renovating certain buildings located in an Economic Opportunity Area (EOA). The buildings must be designated as abandoned and located in an EOA as determined by the Economic Assistance Coordinating Council. The renovation deduction may be taken in addition to any other deduction for which the renovation costs may qualify.

For further information, contact the Massachusetts Office of Business Development, One Ashburton Place, Room 2101, Boston, MA 02108.

In line 3 enter 10% of the costs of renovating a qualifying abandoned building. Attach a statement detailing the location and cost of renovating the qualifying abandoned building.

Line 4. Total Rental, Royalty and REMIC Income or Loss for Massachusetts

Combine lines 1, 2 and 3. Enter in line 4 on Schedule E and on Form 2, line 15.

Schedule F. Credit for Income Taxes Paid to Other Jurisdictions

Complete Schedule F to calculate your credit for income taxes paid by you, by a partnership of which you are a partner or by an S corporation of which you are a shareholder, to another state or jurisdiction on income reported on Form 2. **Attach a copy of the complete return(s) filed in other jurisdictions.**

You are allowed to claim a credit for taxes paid to the following jurisdictions: (a) other states in the United States; (b) any territory or dependency of the United States (including Puerto Rico, the Virgin Islands, Guam, the District of Columbia); or (c) the Dominion of Canada or any of its provinces.

Note: Canada is the only foreign country for which you may claim a tax credit on Schedule F. First deduct any U.S. credit amount allowable.

The total credit which you calculate on Schedule F is the smaller of the amount of taxes due to other jurisdictions (net of certain adjustments) or the portion of your Massachusetts tax due on your gross income that is taxed in such other jurisdictions.

Credit is not given for a property tax due to another jurisdiction on account of capital stock or property. This does not refer to a tax on gain or income from the sale of capital stock or property, as included

on Schedule B or D. Credit is also not given for any interest and penalties paid on a tax due to another jurisdiction.

You must complete separate schedules if you had 5.3% and interest income (other than interest from Massachusetts banks), dividends or capital gain income taxed by another jurisdiction. If you use this schedule to calculate a credit for interest income (other than interest from Massachusetts banks), dividends or capital gain income, substitute interest income (other than interest from Massachusetts banks), dividends or capital gain income for 5.3% income in line 1. You must also substitute Schedule B, line 10 and line 16 (interest and dividend income and taxable 12% capital gains) or Schedule D, line 14, columns A, B, C, D, E F and G (gross long-term capital gains and losses), but not less than "0," for Form 2, line 18 in line 2 of the schedule, and the total of Form 2, line 26 multiplied by .053 and Form 2, line 38 (tax on interest and dividend income and 12% tax) or lines 39 and 40 (tax on long-term capital gains) for 5.3% tax in line 4 of the schedule.

Note: When using this schedule to calculate credit for interest income (other than interest from Massachusetts banks), dividends or capital gain income, enter in line 1 such income taxed in another jurisdiction calculated as if it was earned in Massachusetts.

Line 6. Income Tax Paid to Other Jurisdictions

Enter the total tax paid to other jurisdictions on income also reported on this return unless the tax was paid to Canada. If the tax was paid to Canada, the amount reported in this line must be reduced by the amount claimed as a foreign tax credit on U.S. Form 1041, Schedule G, line 2a. Credit is only allowable for amount of tax paid.

Example A

A trust has \$5,000 taxable interest and \$3,500 U.S. bond interest. The trustee pays \$25 for a safe deposit box and \$125 for a surety bond. Of the \$150 in expenses paid, 5,000/8,500 or \$88.24 is deductible from Part A income. Please refer to the following formula:

Formula for determining the expense deduction against Part A income:

$\frac{\text{total taxable Part A income}}{\text{total taxable and nontaxable Part A income}}$	×	total expense	=	expense deduction
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Finally, fiduciaries may deduct a portion of the compensation paid during the year as fiduciary compensation, limited to the compensation actually paid on Part A **taxable** income, but not in excess of 7% of such income, limited to that portion of such income as is payable to/or accumulated for inhabitants of the Commonwealth or is accumulated for unborn or unascertained persons. No deduction is allowed for fiduciary compensation paid on nontaxable Part A income or 5.3% or long-term capital gain income.

Example B

A trust has taxable Part A income of \$10,000, Massachusetts bank interest of \$5,000 and long-term capital gains of \$5,000. The compensation actually paid during the year on Part A income is \$2,000. Of the \$2,000 paid, the amount deductible from Part A income is limited to 7% or \$700. This amount (\$700) is less than \$1,000 (10,000/20,000 × \$2,000), or the actual amount paid on taxable income. Please refer to the following formulas:

Formula for determining fiduciary compensation deduction allowed against **taxable** Part A income:

$\frac{\text{total Part A income}}{\text{total 5.3\% and Part A and long-term capital gain income}}$	×	fiduciary compensation actually paid on income	=	fiduciary compensation actually paid on Part A income
$\frac{\text{total taxable Part A income}}{\text{total taxable and nontaxable Part A income}}$	×	fiduciary compensation (from above) actually paid on Part A income	=	fiduciary compensation deduction, but not in excess of 7% of Form 2, line 26 and line 34

Schedule H. Expenses and Fiduciary Compensation

The Schedule H deductions apply to every executor, administrator, trustee, guardian, conservator, trustee in bankruptcy or receiver of a trust or estate, with the exception of a trustee of a pooled income fund or a trustee of a charitable remainder annuity or unitrust.

Schedule H deductions are specifically allowed by statute and are as follows:

Fiduciaries may take an amortization deduction for premiums paid upon bonds held by the estate or trust, but only if the bond income is taxable.

In addition, fiduciaries may take a deduction for a portion of their expenses for safe deposit box rentals and surety bond premiums. These expenses must have been incurred and actually paid during the tax year covered by the return in order to be allowed as a deduction.

The deduction must be allocated between taxable and nontaxable Part A income, and only the taxable portion is deductible. No deduction is allowed against 5.3% or long-term capital gain income. See examples on the previous page.

The deductible portion is calculated by computing the ratio of **taxable** Part A income, over total **taxable** and **nontaxable** Part A income, from all sources.

Expenses of Trustees in Bankruptcy: Ordinary and necessary business expenses of a trustee in bankruptcy engaged in the business of managing and liquidating a bankrupt estate are deductible against income taxed at 5.3%. The remainder of these expenses may be taken as an excess trade or business deduction against other income as long as such income is derived from the trustee's investment of liquidated assets. Please note that these expenses are not deductible on Schedule H. They are to be reported on Massachusetts Schedule C-2, and a copy of Massachusetts Schedules C and C-2 must be attached to Form 2.

Part 1. Expense Deduction Computation

Line 1. Enter in line 1a the amount actually paid during the taxable year for safe deposit box rentals and in line 1b for premiums on surety bonds. Add lines 1a and 1b, and enter the total in line 1.

Line 2. Add Schedule B, line 37 and Form 2, lines 25 and 33. This is your total taxable Part A income for the year.

Line 3. Add Schedule B, lines 4, 13, 14, 15 and Form 2, line 33. Then subtract Schedule B, line 6. This is your total Part A income (taxable and nontaxable) for the year. If common trust fund interest and dividends are not included in Schedule B, line 4, add in the amount from Form 2, line 25.

Line 4. Divide line 2 by line 3, and enter the percentage here. This is your percentage of taxable Part A income to total Part A income for the year.

Line 5. Multiply your total expenses in line 1 by the percentage in line 4, and enter the result here and on Schedule B, line 38a. This is the maximum expense deduction you are allowed against Part A income.

Part 2. Fiduciary Compensation Deduction Computation

Line 6. Enter the fiduciary compensation paid during the taxable year. Please note that none of the following expenses are deductible on Form 2: estate administrative expenses, executor's expenses,

executor's commissions, attorney fees, accountant fees and tax preparer fees.

Line 7. Enter here the amount from Form 2, line 18. This is your total 5.3% income for the year.

Line 8. Add Schedule B, lines 4, 13, 14, 15 and Form 2, line 33. Then subtract Schedule B, line 6. This is your total Part A income (taxable and nontaxable) for the year. If common trust fund interest and dividends are not included in Schedule B, line 4, add in the amount from Form 2, line 25.

Line 9a. Enter the total of: Schedule D, line 8, column A, less Schedule D, line 13, column A; Schedule D, line 8, column B, less Schedule D, line 13, column B; Schedule D, line 8, column C, less Schedule D, line 13, column C; and Schedule D, line 8, column D, less Schedule D, line 13, column D; Schedule D, line 8, column E, less Schedule D, line 13, column E; Schedule D, line 8, column F less Schedule D, line 13, column F and Schedule D, line 8, column G, less Schedule D, line 13, column G. Exclude any long-term common trust fund capital gains. Not less than "0."

Line 9b. Enter the total of Schedule D-1, line 1, column A, column B, column C, column D, column E, column F and column G.

Line 10. Add lines 7, 8, 9a and 9b, and enter the total here.

Line 11. Divide line 8 by line 10 and enter the percentage here. This is your percentage of taxable Part A income to total income (5.3% income, Part A income and long-term capital gain income) for the year.

Line 12. Multiply line 11 by line 6, and enter the result here. This represents the amount of fiduciary compensation actually paid on Part A income. Compensation paid on 5.3%, or long-term capital gain income is not deductible.

Line 13. Add Schedule B, line 37 and Form 2, lines 25 and 33 and enter the result.

Line 14. Enter the amount from line 8. This is your total Part A income (taxable and nontaxable) for the year.

Line 15. Divide line 13 by line 14, and enter the percentage here. This is your percentage of taxable Part A income to total Part A income for the year.

Line 16. Multiply line 15 by line 12, and enter the result here. This represents the amount of fiduciary compensation actually paid on taxable Part A income. Compensation allocated to nontaxable Part A income is not deductible.

Line 17. Enter here 7% of line 13.

Line 18. Enter here and on Schedule B, line 38b, the amount from line 16 or 17, whichever is smaller. This is the maximum fiduciary compensation deduction you are allowed to take against Part A income.

Form 20. Beneficiary's Claim of No Tax Status Exemption

Form 20, Beneficiary's Claim of No Tax Status Exemption, is used to apply a beneficiary's No Tax Status exemption on Form 2. If a beneficiary's Massachusetts adjusted gross income exceeds \$8,000, if single; \$12,700, plus \$1,000 per dependent if filing as head of household; or \$14,200, plus \$1,000 per dependent if married filing a joint return, do not complete Form 20. If a beneficiary's Massachusetts adjusted gross income was under the applicable threshold, and after adding in the amount of fiduciary income paid to/or vested

in the beneficiary remains below the threshold, then complete Form 20. Otherwise, there is no exemption carryover.

If the beneficiary filed a Massachusetts Individual Income Tax Return, file a complete copy with this Form 20. Otherwise, complete and file Form 1, lines 1 through 26 or Form 1-NR/PY, lines 1 through 30, and Schedules B, D, E, X, Y, Z, NTS-L-NR/PY (Form 1-NR/PY filers only), and C (if applicable) with Form 20.

Example:

John Taxpayer had \$3,000 in Form 1 Massachusetts adjusted gross income. In addition, he received \$3,500 of dividend income from Y Trust. As the combined income is less than \$8,000, both the \$3,000 of Form 1 and \$3,500 of Form 2 income is exempt from tax. If the Y Trust income paid to the beneficiary was \$5,500, then only the Form 1 income of \$3,000 would qualify for the exemption as the total combined income of \$8,500, would exceed the No Tax Status threshold.

Line 1, column b. Enter the amount paid to/or vested in the beneficiary from all other fiduciaries, Form 2, line 18.

Line 1, column c. Enter the amount paid to/or vested in the beneficiary from this fiduciary, Form 2, line 18.

Line 2, column b. Enter the amount paid to/or vested in the beneficiary from all other fiduciaries, Form 2, Schedule B, line 37.

Line 2, column c. Enter the amount paid to/or vested in the beneficiary from this fiduciary, Form 2, Schedule B, line 37.

Line 3, column b. Enter the amount paid to/or vested in the beneficiary from all other fiduciaries, Form 2, Schedule D, line 22, columns A, B, C, D, E, F and G.

Line 3, column c. Enter the amount paid to/or vested in the beneficiary from this fiduciary, Form 2, Schedule D, line 22, columns A, B, C, D, E, F and G.

Line 4, column b. Enter the amount paid to/or vested in the beneficiary from all other fiduciaries, Form 2, Schedule D-1, line 1, columns A, B, C, D, E, F and G.

Line 4, column c. Enter the amount paid to/or vested in the beneficiary from this fiduciary, Form 2, Schedule D-1, line 1, columns A, B, C, D, E, F and G.

Line 5, column a. Enter the amount from Form 1, AGI Worksheet, line 7; or Form 1-NR/PY, Schedule NTS-L-NR/PY, line 8.

Line 5, column b. Add the amounts in lines 1–4, column b, and enter the total here.

Line 5, column c. Add the amounts in lines 1–4, column c, and enter the total here.

Line 5, column d. Add the amounts in line 5, columns a through c, and enter the total here.

If the amount in line 5, column d, exceeds the No Tax Status exemption, there is no carryover amount.

Beneficiary's declaration. The beneficiary, or beneficiary's legal guardian, must sign this form.

To Be Completed By the Trustee or Other Fiduciary

Line a. Enter the beneficiary's share of 5.3% income from Form 2, line 18. Include this amount on Form 2, line 20.

Line b. Enter the beneficiary's share of interest (other than interest from Massachusetts banks) and dividends from Form 2, line 26. Include this amount on Form 2, line 28.

Line c. Enter the beneficiary's share of 12% income from Form 2, line 34. Include this amount on Form 2, line 36.

Line d. Enter the beneficiary's share of long-term capital gain from Schedule D, line 22, column A. Include this amount on Schedule D, line 24a, column A.

Line e. Enter the beneficiary's share of long-term capital gain from Schedule D, line 22, column B. Include this amount on Schedule D, line 24a, column B.

Line f. Enter the beneficiary's share of long-term capital gain from Schedule D, line 22, column C. Include this amount on Schedule D, line 24a, column C.

Line g. Enter the beneficiary's share of long-term capital gain from Schedule D, line 22, column D. Include this amount on Schedule D, line 24a, column D.

Line h. Enter the beneficiary's share of long-term capital gain from Schedule D, line 22, column E. Include this amount on Schedule D, line 24a, column E.

Line i. Enter the beneficiary's share of long-term capital gain from Schedule D, line 22, column F. Include this amount on Schedule D, line 24a, column F.

Line j. Enter the beneficiary's share of long-term capital gain from Schedule D, line 22, column F. Include this amount on Schedule D, line 24a, column G.

Line k. Enter the beneficiary's share of long-term common trust fund capital gain from Schedule D-1, line 1, column A. Include this amount on Schedule D-1, line 3a, column A.

Line l. Enter the beneficiary's share of long-term common trust fund capital gain from Schedule D-1, line 1, column B. Include this amount on Schedule D-1, line 3a, column B.

Line m. Enter the beneficiary's share of long-term common trust fund capital gain from Schedule D-1, line 1, column C. Include this amount on Schedule D-1, line 3a, column C.

Line n. Enter the beneficiary's share of long-term common trust fund capital gain from Schedule D-1, line 1, column D. Include this amount on Schedule D-1, line 3a, column D.

Line o. Enter the beneficiary's share of long-term common trust fund capital gain from Schedule D-1, line 1, column E. Include this amount on Schedule D-1, line 3a, column E.

Line p. Enter the beneficiary's share of long-term common trust fund capital gain from Schedule D-1, line 1, column F. Include this amount on Schedule D-1, line 3a, column F.

Line q. Enter the beneficiary's share of long-term common trust fund capital gain from Schedule D-1, line 1, column F. Include this amount on Schedule D-1, line 3a, column G.

Form 20A. Beneficiary's Claim for Exemptions Applicable to Fiduciary Income

Form 20A, Beneficiary's Claim for Exemptions Applicable to Fiduciary Income, allows a fiduciary to claim any unused exemptions to which a beneficiary is entitled and apply those exemptions against

trust or estate income to which that beneficiary is entitled. (These exemptions can only offset fiduciary income which is vested in/or paid to the beneficiary.)

Form 20A must be filed along with a completed Form 1, Resident Income Tax Return, or Form 1-NR/PY, Nonresident or Part-Year Resident Income Tax Return, for each beneficiary who is claiming excess exemptions in the same tax year. U.S. Form 1040, Schedule A, Itemized Deductions, must also be filed if claiming excess itemized medical and dental expenses. Exemptions must be applied to income in the following order:

First, the exemptions are applied against the Form 1 or 1-NR/PY, **5.3% income**. Next, any unused exemptions are applied against the Form 2, **5.3% income**. Then, any remaining exemptions are then applied against the Form 1 or 1-NR/PY, **Part A income**. Next, any remaining exemptions are applied against the Form 2, **Part A income**. Then, any remaining exemptions are applied against the Form 1 or 1-NR/PY, **5% income**. Next, any remaining exemptions are applied against the Form 2, **5% income**. Then, any remaining exemptions are applied against the Form 1 or 1-NR/PY, **4% income**. Next, any remaining exemptions are applied against the Form 2, **4% income**. Then, any remaining exemptions are applied against the Form 1 or 1-NR/PY, **3% income**. Next, any remaining exemptions are applied against the Form 2, **3% income**. Then, any remaining exemptions are applied against the Form 1 or 1-NR/PY, **2% income**. Next, any remaining exemptions are applied against the Form 2, **2% income**. Then, any remaining exemptions are applied against the Form 1 or 1-NR/PY, **1% income**. Next, any remaining exemptions are applied against the Form 2, **1% income**. Then, any remaining exemptions are applied against the Form 1 or 1-NR/PY, **0% income**. Next, any remaining exemptions are applied against the Form 2, **0% income**. Then, any remaining exemptions are applied against the Form 1 or 1-NR/PY, **5.3% capital gain income**. Next, any remaining exemptions are applied against the Form 2, **5.3% capital gain income**.

Line 1, column d. Enter the total exemptions to which this beneficiary is entitled from Form 1, line 2f.

Line 2, column a. Enter the total 5.3% income from Form 1, line 17, before any exemptions are applied.

Line 2, column b. Enter the total 5.3% income from all other fiduciaries (Form 2, line 18) to which the beneficiary is entitled.

Line 2, column c. Enter the total 5.3% income from this fiduciary (Form 2, line 18) to which this beneficiary is entitled.

Line 2, column d. Add columns a through c, and enter the total in d.

Line 3, column a. Enter the amount of exemptions from line 1, column d, which are being applied against the beneficiary's Form 1, 5.3% income in line 2, column a, from Form 1, line 17.

Line 3, column b. Enter the amount of exemptions from line 1, column d, which are being applied against the beneficiary's other 5.3% fiduciary income in line 2, column b, from other fiduciaries' Form 2, line 18.

Line 3, column c. Enter the amount of exemptions from line 1, column d, which are being applied against the beneficiary's 5.3% income from this fiduciary (Form 2, line 18).

Line 3, column e. Add columns a through c, and enter the total here.

Line 4, column d. Subtract line 2, column d, from line 1, column d, and enter the result here. If line 2, column d, is larger than line 1, column d, enter "0." This is the amount of remaining exemptions.

Line 5, column a. Enter the total Part A income from Form 1, Schedule B, line 35.

Line 5, column b. Enter the total interest (other than interest from Massachusetts banks) and dividend income from all other fiduciaries (Form 2, line 26) to which the beneficiary is entitled.

Line 5, column c. Enter the total interest (other than interest from Massachusetts banks) and dividend income from this fiduciary (Form 2, line 26) to which the beneficiary is entitled.

Line 5, column d. Add columns a through c, and enter the total in d.

Line 6, column a. Enter the amount of exemptions from line 4, column d, which are being applied against the beneficiary's Form 1, Part A income, from line 5, column a.

Line 6, column b. Enter the amount of exemptions from line 4, column d, which are being applied against the beneficiary's, interest (other than interest from Massachusetts banks) and dividend income from other fiduciaries' from line 5, column b.

Line 6, column c. Enter the amount of exemptions from line 4, column d, which are being applied against the beneficiary's, interest (other than interest from Massachusetts banks) and dividend income from this fiduciary from line 5, column c.

Line 6, column e. Add columns a through c, and enter the total here.

Line 7, column d. Subtract line 5, column d, from line 4, column d. If line 5, column d is larger than line 4, column d, enter "0." This is the amount of the remaining unused exemptions.

Line 8, column b. Enter the total 12% income from all other fiduciaries (Form 2, line 34) to which the beneficiary is entitled.

Line 8, column c. Enter the total 12% income from this fiduciary (Form 2, line 34) to which the beneficiary is entitled.

Line 8, column d. Add columns b and c, and enter the total in d.

Line 9, column b. Enter the amount of exemptions from line 7, column d, which are being applied against the beneficiary's 12% income from other fiduciaries' from line 8, column b.

Line 9, column c. Enter the amount of exemptions from line 7, column d, which are being applied against the beneficiary's 12% income from this fiduciary from line 8, column c.

Line 9, column e. Add columns b and c, and enter the total here.

Line 10, column d. Subtract line 8, column d, from line 7, column d. If line 8, column d is larger than line 7, column d, enter "0." This is the amount of the remaining unused exemptions.

Line 11, column a. Enter the total 5% long-term capital gain from Form 1, Schedule D, line 20, column A, before any exemptions are applied.

Line 11, column b. Enter the total 5% long-term capital gain from all other fiduciaries (Form 2, Schedule D, line 22, column A) to which the beneficiary is entitled.

Line 11, column c. Enter the total 5% long-term capital gain from this fiduciary (Form 2, Schedule D, line 22, column A) to which the beneficiary is entitled.

Line 11, column d. Add columns a through c, and enter the total in d.

Line 12, column a. Enter the amount of exemptions from line 10, column d, which are being applied against the beneficiary's Form 1, 5% long-term capital gain, from line 11, column a.

Line 12, column b. Enter the amount of exemptions from line 10, column d, which are being applied against the beneficiary's 5% long-term capital gain from other fiduciaries' from line 11, column b.

Line 12, column c. Enter the amount of exemptions from line 10, column d, which are being applied against the beneficiary's 5% long-term capital gain from this fiduciary from line 11, column c.

Line 12, column e. Add columns a through c, and enter the total here.

Line 13, column d. Subtract line 11, column d, from line 10, column d. If line 11, column d is larger than line 10, column d, enter "0." This represents the remaining unused exemptions.

Line 14, column b. Enter the total 5% long-term common trust fund capital gain from all other fiduciaries (Form 2, Schedule D-1, line 1, column A) to which the beneficiary is entitled.

Line 14, column c. Enter the total 5% long-term common trust fund capital gain from this fiduciary (Form 2, Schedule D-1, line 1, column A) to which the beneficiary is entitled.

Line 14, column d. Add columns b and c, and enter the total in d.

Line 15, column b. Enter the amount of exemptions from line 13, column d, which are being applied against the beneficiary's 5% long-term common trust fund capital gain from other fiduciaries' from line 14, column b.

Line 15, column c. Enter the amount of exemptions from line 13, column d, which are being applied against the beneficiary's 5% long-term common trust fund capital gain from this fiduciary from line 14, column c.

Line 15, column e. Add columns b and c, and enter the total here.

Line 16, column d. Subtract line 14, column d, from line 13, column d. If line 14, column d is larger than line 13, column d, enter "0." This represents the remaining unused exemptions.

Line 17, column a. Enter the total 4% long-term capital gain from Form 1, Schedule D, line 20, column B, before any exemptions are applied.

Line 17, column b. Enter the total 4% long-term capital gain from all other fiduciaries (Form 2, Schedule D, line 22, column B) to which the beneficiary is entitled.

Line 17, column c. Enter the total 4% long-term capital gain from this fiduciary (Form 2, Schedule D, line 22, column B) to which the beneficiary is entitled.

Line 17, column d. Add columns a through c, and enter the total in d.

Line 18, column a. Enter the amount of exemptions from line 16, column d, which are being applied against the beneficiary's Form 1, 4% long-term capital gain, from line 17, column a.

Line 18, column b. Enter the amount of exemptions from line 16, column d, which are being applied against the beneficiary's 4% long-term capital gain from other fiduciaries' from line 17, column b.

Line 18, column c. Enter the amount of exemptions from line 16, column d, which are being applied against the beneficiary's 4% long-term capital gain from this fiduciary from line 17, column c.

Line 18, column e. Add columns a through c, and enter the total here.

Line 19, column d. Subtract line 17, column d, from line 16, column d. If line 17, column d is larger than line 16, column d, enter "0." This represents the remaining unused exemptions.

Line 20, column b. Enter the total 4% long-term common trust fund capital gain from all other fiduciaries (Form 2, Schedule D-1, line 1, column B) to which the beneficiary is entitled.

Line 20, column c. Enter the total 4% long-term common trust fund capital gain from this fiduciary (Form 2, Schedule D-1, line 1, column B) to which the beneficiary is entitled.

Line 20, column d. Add columns b and c, and enter the total in d.

Line 21, column b. Enter the amount of exemptions from line 19, column d, which are being applied against the beneficiary's 4% long-term common trust fund capital gain from other fiduciaries' from line 20, column b.

Line 21, column c. Enter the amount of exemptions from line 19, column d, which are being applied against the beneficiary's 4% long-term common trust fund capital gain from this fiduciary from line 20, column c.

Line 21, column e. Add columns b and c, and enter the total here.

Line 22, column d. Subtract line 20, column d, from line 19, column d. If line 20, column d is larger than line 19, column d, enter "0." This represents the remaining unused exemptions.

Line 23, column a. Enter the total 3% long-term capital gain from Form 1, Schedule D, line 20, column C, before any exemptions are applied.

Line 23, column b. Enter the total 3% long-term capital gain from all other fiduciaries (Form 2, Schedule D, line 22, column C) to which the beneficiary is entitled.

Line 23, column c. Enter the total 3% long-term capital gain from this fiduciary (Form 2, Schedule D, line 22, column C) to which the beneficiary is entitled.

Line 23, column d. Add columns a through c, and enter the total in d.

Line 24, column a. Enter the amount of exemptions from line 22, column d, which are being applied against the beneficiary's Form 1, 3% long-term capital gain, from line 23, column a.

Line 24, column b. Enter the amount of exemptions from line 22, column d, which are being applied against the beneficiary's 3% long-term capital gain from other fiduciaries' from line 23, column b.

Line 24, column c. Enter the amount of exemptions from line 22, column d, which are being applied against the beneficiary's 3% long-term capital gain from this fiduciary from line 23, column c.

Line 24 column e. Add columns a through c, and enter the total here.

Line 25, column d. Subtract line 23, column d, from line 22, column d. If line 23, column d is larger than line 22, column d, enter "0." This represents the remaining unused exemptions.

Line 26, column b. Enter the total 3% long-term common trust fund capital gain from all other fiduciaries (Form 2, Schedule D-1, line 1, column C) to which the beneficiary is entitled.

Line 26, column c. Enter the total 3% long-term common trust fund capital gain from this fiduciary (Form 2, Schedule D-1, line 1, column C) to which the beneficiary is entitled.

Line 26, column d. Add columns b and c, and enter the total in d.

Line 27, column b. Enter the amount of exemptions from line 25, column d, which are being applied against the beneficiary's 3% long-term common trust fund capital gain from other fiduciaries' from line 26, column b.

Line 27, column c. Enter the amount of exemptions from line 25, column d, which are being applied against the beneficiary's 3% long-term common trust fund capital gain from this fiduciary from line 26, column c.

Line 27, column e. Add columns b and c, and enter the total here.

Line 28, column d. Subtract line 26, column d, from line 25, column d. If line 26, column d is larger than line 25, column d, enter "0." This represents the remaining unused exemptions.

Line 29, column a. Enter the total 2% long-term capital gain from Form 1, Schedule D, line 20, column D, before any exemptions are applied.

Line 29, column b. Enter the total 2% long-term capital gain from all other fiduciaries (Form 2, Schedule D, line 22, column D) to which the beneficiary is entitled.

Line 29, column c. Enter the total 2% long-term capital gain from this fiduciary (Form 2, Schedule D, line 22, column D) to which the beneficiary is entitled.

Line 29, column d. Add columns a through c, and enter the total in d.

Line 30, column a. Enter the amount of exemptions from line 28, column d, which are being applied against the beneficiary's Form 1, 2% long-term capital gain, from line 29, column a.

Line 30, column b. Enter the amount of exemptions from line 28, column d, which are being applied against the beneficiary's 2% long-term capital gain from other fiduciaries' from line 29, column b.

Line 30, column c. Enter the amount of exemptions from line 28, column d, which are being applied against the beneficiary's 2% long-term capital gain from this fiduciary from line 29, column c.

Line 30, column e. Add columns a through c, and enter the total here.

Line 31, column d. Subtract line 29, column d, from line 28, column d. If line 29, column d is larger than line 28, column d, enter "0." This represents the remaining unused exemptions.

Line 32, column b. Enter the total 2% long-term common trust fund capital gain from all other fiduciaries (Form 2, Schedule D-1, line 1, column D) to which the beneficiary is entitled.

Line 32, column c. Enter the total 2% long-term common trust fund capital gain from this fiduciary (Form 2, Schedule D-1, line 1, column D) to which the beneficiary is entitled.

Line 33, column d. Add columns b and c, and enter the total in d.

Line 33, column b. Enter the amount of exemptions from line 31, column d, which are being applied against the beneficiary's 2% long-term common trust fund capital gain from other fiduciaries' from line 32, column b.

Line 33, column c. Enter the amount of exemptions from line 31, column d, which are being applied against the beneficiary's 2% long-term common trust fund capital gain from this fiduciary from line 32, column c.

Line 33, column e. Add columns b and c, and enter the total here.

Line 34, column d. Subtract line 32, column d, from line 31, column d. If line 32, column d is larger than line 31, column d, enter "0." This represents the remaining unused exemptions.

Line 35, column a. Enter the total 1% long-term capital gain from Form 1, Schedule D, line 20, column E, before any exemptions are applied.

Line 35, column b. Enter the total 1% long-term capital gain from all other fiduciaries (Form 2, Schedule D, line 22, column E) to which the beneficiary is entitled.

Line 35, column c. Enter the total 1% long-term capital gain from this fiduciary (Form 2, Schedule D, line 22, column E) to which the beneficiary is entitled.

Line 35, column d. Add columns a through c, and enter the total in d.

Line 36, column a. Enter the amount of exemptions from line 34, column d, which are being applied against the beneficiary's Form 1, 1% long-term capital gain, from line 35, column a.

Line 36, column b. Enter the amount of exemptions from line 34, column d, which are being applied against the beneficiary's 1% long-term capital gain from other fiduciaries' from line 35, column b.

Line 36, column c. Enter the amount of exemptions from line 34, column d, which are being applied against the beneficiary's 1% long-term capital gain from this fiduciary from line 35, column c.

Line 36, column e. Add columns a through c, and enter the total here.

Line 37, column d. Subtract line 35, column d, from line 34, column d. If line 35, column d is larger than line 34, column d, enter "0." This represents the remaining unused exemptions.

Line 38, column b. Enter the total 1% long-term common trust fund capital gain from all other fiduciaries (Form 2, Schedule D-1, line 1, column E) to which the beneficiary is entitled.

Line 38, column c. Enter the total 1% long-term common trust fund capital gain from this fiduciary (Form 2, Schedule D-1, line 1, column E) to which the beneficiary is entitled.

Line 38, column d. Add columns b and c, and enter the total in d.

Line 39, column b. Enter the amount of exemptions from line 37, column d, which are being applied against the beneficiary's 1% long-term common trust fund capital gain from other fiduciaries' from line 38, column b.

Line 39, column c. Enter the amount of exemptions from line 37, column d, which are being applied against the beneficiary's 1% long-term common trust fund capital gain from this fiduciary from line 38, column c.

Line 39, column e. Add columns b and c, and enter the total here.

Line 40, column d. Subtract line 35, column d, from line 34, column d. If line 35, column d is larger than line 34, column d, enter "0." This represents the remaining unused exemptions.

Line 41, column a. Enter the total 0% long-term capital gain from Form 1, Schedule D, line 20, column F, before any exemptions are applied.

Line 41, column b. Enter the total 0% long-term capital gain from all other fiduciaries (Form 2, Schedule D, line 22, column F) to which the beneficiary is entitled.

Line 41, column c. Enter the total 0% long-term capital gain from this fiduciary (Form 2, Schedule D, line 22, column F) to which the beneficiary is entitled.

Line 41, column d. Add columns a through c, and enter the total in d.

Line 42, column a. Enter the amount of exemptions from line 40, column d, which are being applied against the beneficiary's Form 1, 0% long-term capital gain, from line 41, column a.

Line 42, column b. Enter the amount of exemptions from line 40, column d, which are being applied against the beneficiary's 0% long-term capital gain from other fiduciaries' from line 41, column b.

Line 42, column c. Enter the amount of exemptions from line 40, column d, which are being applied against the beneficiary's 0% long-term capital gain from this fiduciary from line 41, column c.

Line 42, column e. Add columns a through c, and enter the total here.

Line 43, column d. Subtract line 41, column d, from line 40, column d. If line 41, column d is larger than line 40, column d, enter "0." This represents the remaining unused exemptions.

Line 44, column b. Enter the total 0% long-term common trust fund capital gain from all other fiduciaries (Form 2, Schedule D-1, line 1, column F) to which the beneficiary is entitled.

Line 44, column c. Enter the total 0% long-term common trust fund capital gain from this fiduciary (Form 2, Schedule D-1, line 1, column F) to which the beneficiary is entitled.

Line 45, column d. Add columns b and c, and enter the total in d.

Line 44, column b. Enter the amount of exemptions from line 43, column d, which are being applied against the beneficiary's 0% long-term common trust fund capital gain from other fiduciaries' from line 44, column b.

Line 45, column c. Enter the amount of exemptions from line 43, column d, which are being applied against the beneficiary's 0% long-term common trust fund capital gain from this fiduciary from line 44, column c.

Line 45, column e. Add columns b and c, and enter the total here.

Line 46, column d. Subtract line 44, column d, from line 43, column d. If line 44, column d is larger than line 43, column d, enter "0." This represents the remaining unused exemptions.

Line 47, column a. Enter the total 5.3% long-term capital gain from Form 1, Schedule D, Part 2, line 19, column G, before any exemptions are applied.

Line 47, column b. Enter the total 5.3% long-term capital gain from all other fiduciaries (Form 2, Schedule D, line 22, column G) to which the beneficiary is entitled.

Line 47, column c. Enter the total 5.3% long-term capital gain from this fiduciary (Form 2, Schedule D, line 22, column G) to which the beneficiary is entitled.

Line 47, column d. Add columns a through c, and enter the total in d.

Line 48, column a. Enter the amount of exemptions from line 46, column d, which are being applied against the beneficiary's Form 1, 5.3% long-term capital gain, from line 47, column a.

Line 48, column b. Enter the amount of exemptions from line 46, column d, which are being applied against the beneficiary's 5.3% long-term capital gain from other fiduciaries' from line 47, column b.

Line 48, column c. Enter the amount of exemptions from line 46, column d, which are being applied against the beneficiary's 5.3% long-term capital gain from this fiduciary from line 47, column c.

Line 48, column e. Add columns a through c, and enter the total here.

Line 49, column d. Subtract line 47, column d, from line 46, column d. If line 47, column d is larger than line 46, column d, enter "0." This represents the remaining unused exemptions.

Line 50, column b. Enter the total 5.3% long-term common trust fund capital gain from all other fiduciaries (Form 2, Schedule D-1, line 1, column G) to which the beneficiary is entitled.

Line 50, column c. Enter the total 5.3% long-term common trust fund capital gain from this fiduciary (Form 2, Schedule D-1, line 1, column G) to which the beneficiary is entitled.

Line 50, column d. Add columns b and c, and enter the total in d.

Line 51, column b. Enter the amount of exemptions from line 49, column d, which are being applied against the beneficiary's 5.3% long-term common trust fund capital gain from other fiduciaries' from line 50, column b.

Line 51, column c. Enter the amount of exemptions from line 48, column d, which are being applied against the beneficiary's 5.3% long-term common trust fund capital gain from this fiduciary from line 50, column c.

Line 51, column e. Add columns b and c, and enter the total here.

Line 52, column d. Subtract line 50, column d, from line 49, column d. If line 50, column d is larger than line 49, column d, enter "0." This represents the remaining unused exemptions.

Line 53, column e. Add column e, line 3, 6, 9, 12, 15, 18, 21, 24, 27, 30, 33, 36, 39, 42, 45, 48 and 51 and enter the total here. This figure represents the total exemptions used.

Beneficiary's Declaration

The beneficiary, or beneficiary's legal guardian, must sign and date this form.

For General Tax Information

Please call (617) 887-MDOR or toll-free in Mass. at 1-800-392-6089.

For help in one of the following specific areas, please call the number listed below:

- Certificates of Good Standing (617) 887-6550
- Installment sales (617) 887-6950
- Small Business Workshop (617) 887-6400
- Teletype (TTY): (617) 887-6140
- Vision-impaired taxpayers are welcome to make an appointment at any DOR office listed on the back cover to receive assistance in preparing their tax forms.

To report allegations of suspected misconduct or impropriety involving Department of Revenue employees, please call the Inspectional Services Division's Integrity Hot Line at 1-800-568-0085 or write to PO Box 55480, Boston, MA 02205-5480.

2002 Massachusetts Income Tax Table at the **5.3% Rate**

Use this table to calculate tax for taxable 5.3% income (line 30) of not more than \$24,000.

Line 30 Instructions: To find your **tax for 5.3% Income** (line 31), read down the tax table income column to the line containing the amount you entered in line 30. Then read across to the **TAX** column and enter this amount in line 31. If your taxable 5.3% income in line 30 is greater than \$24,000, multiply the amount by .053. Enter the result in line 31.

INCOME				INCOME				INCOME				INCOME				INCOME				INCOME				
More than		But not more than		TAX	More than		But not more than		TAX	More than		But not more than		TAX	More than		But not more than		TAX	More than		But not more than		TAX
\$	1 – \$	\$	50	\$	4,000 – \$	4,050	\$	213	\$	8,000 – \$	8,050	\$	425	\$12,000 – \$12,050	\$	637	\$16,000 – \$16,050	\$	849	\$20,000 – \$20,050	\$	1,061		
	50 –	100		4	4,050 –	4,100		216	8,050 –	8,100		428	12,050 –	12,100		640	16,050 –	16,100		852	20,050 –	20,100		1,064
	100 –	150		7	4,100 –	4,150		219	8,100 –	8,150		431	12,100 –	12,150		643	16,100 –	16,150		855	20,100 –	20,150		1,067
	150 –	200		9	4,150 –	4,200		221	8,150 –	8,200		433	12,150 –	12,200		645	16,150 –	16,200		857	20,150 –	20,200		1,069
	200 –	250		12	4,200 –	4,250		224	8,200 –	8,250		436	12,200 –	12,250		648	16,200 –	16,250		860	20,200 –	20,250		1,072
	250 –	300		15	4,250 –	4,300		227	8,250 –	8,300		439	12,250 –	12,300		651	16,250 –	16,300		863	20,250 –	20,300		1,075
	300 –	350		17	4,300 –	4,350		229	8,300 –	8,350		441	12,300 –	12,350		653	16,300 –	16,350		865	20,300 –	20,350		1,077
	350 –	400		20	4,350 –	4,400		232	8,350 –	8,400		444	12,350 –	12,400		656	16,350 –	16,400		868	20,350 –	20,400		1,080
	400 –	450		23	4,400 –	4,450		235	8,400 –	8,450		447	12,400 –	12,450		659	16,400 –	16,450		871	20,400 –	20,450		1,083
	450 –	500		25	4,450 –	4,500		237	8,450 –	8,500		449	12,450 –	12,500		661	16,450 –	16,500		873	20,450 –	20,500		1,085
	500 –	550		28	4,500 –	4,550		240	8,500 –	8,550		452	12,500 –	12,550		664	16,500 –	16,550		876	20,500 –	20,550		1,088
	550 –	600		30	4,550 –	4,600		242	8,550 –	8,600		454	12,550 –	12,600		666	16,550 –	16,600		878	20,550 –	20,600		1,090
	600 –	650		33	4,600 –	4,650		245	8,600 –	8,650		457	12,600 –	12,650		669	16,600 –	16,650		881	20,600 –	20,650		1,093
	650 –	700		36	4,650 –	4,700		248	8,650 –	8,700		460	12,650 –	12,700		672	16,650 –	16,700		884	20,650 –	20,700		1,096
	700 –	750		38	4,700 –	4,750		250	8,700 –	8,750		462	12,700 –	12,750		674	16,700 –	16,750		886	20,700 –	20,750		1,098
	750 –	800		41	4,750 –	4,800		253	8,750 –	8,800		465	12,750 –	12,800		677	16,750 –	16,800		889	20,750 –	20,800		1,101
	800 –	850		44	4,800 –	4,850		256	8,800 –	8,850		468	12,800 –	12,850		680	16,800 –	16,850		892	20,800 –	20,850		1,104
	850 –	900		46	4,850 –	4,900		258	8,850 –	8,900		470	12,850 –	12,900		682	16,850 –	16,900		894	20,850 –	20,900		1,106
	900 –	950		49	4,900 –	4,950		261	8,900 –	8,950		473	12,900 –	12,950		685	16,900 –	16,950		897	20,900 –	20,950		1,109
	950 –	1,000		52	4,950 –	5,000		264	8,950 –	9,000		476	12,950 –	13,000		688	16,950 –	17,000		900	20,950 –	21,000		1,112
	1,000 –	1,050		54	5,000 –	5,050		266	9,000 –	9,050		478	13,000 –	13,050		690	17,000 –	17,050		902	21,000 –	21,050		1,114
	1,050 –	1,100		57	5,050 –	5,100		269	9,050 –	9,100		481	13,050 –	13,100		693	17,050 –	17,100		905	21,050 –	21,100		1,117
	1,100 –	1,150		60	5,100 –	5,150		272	9,100 –	9,150		484	13,100 –	13,150		696	17,100 –	17,150		908	21,100 –	21,150		1,120
	1,150 –	1,200		62	5,150 –	5,200		274	9,150 –	9,200		486	13,150 –	13,200		698	17,150 –	17,200		910	21,150 –	21,200		1,122
	1,200 –	1,250		65	5,200 –	5,250		277	9,200 –	9,250		489	13,200 –	13,250		701	17,200 –	17,250		913	21,200 –	21,250		1,125
	1,250 –	1,300		68	5,250 –	5,300		280	9,250 –	9,300		492	13,250 –	13,300		704	17,250 –	17,300		916	21,250 –	21,300		1,128
	1,300 –	1,350		70	5,300 –	5,350		282	9,300 –	9,350		494	13,300 –	13,350		706	17,300 –	17,350		918	21,300 –	21,350		1,130
	1,350 –	1,400		73	5,350 –	5,400		285	9,350 –	9,400		497	13,350 –	13,400		709	17,350 –	17,400		921	21,350 –	21,400		1,133
	1,400 –	1,450		76	5,400 –	5,450		288	9,400 –	9,450		500	13,400 –	13,450		712	17,400 –	17,450		924	21,400 –	21,450		1,136
	1,450 –	1,500		78	5,450 –	5,500		290	9,450 –	9,500		502	13,450 –	13,500		714	17,450 –	17,500		926	21,450 –	21,500		1,138
	1,500 –	1,550		81	5,500 –	5,550		293	9,500 –	9,550		505	13,500 –	13,550		717	17,500 –	17,550		929	21,500 –	21,550		1,141
	1,550 –	1,600		83	5,550 –	5,600		295	9,550 –	9,600		507	13,550 –	13,600		719	17,550 –	17,600		931	21,550 –	21,600		1,143
	1,600 –	1,650		86	5,600 –	5,650		298	9,600 –	9,650		510	13,600 –	13,650		722	17,600 –	17,650		934	21,600 –	21,650		1,146
	1,650 –	1,700		89	5,650 –	5,700		301	9,650 –	9,700		513	13,650 –	13,700		725	17,650 –	17,700		937	21,650 –	21,700		1,149
	1,700 –	1,750		91	5,700 –	5,750		303	9,700 –	9,750		515	13,700 –	13,750		727	17,700 –	17,750		939	21,700 –	21,750		1,151
	1,750 –	1,800		94	5,750 –	5,800		306	9,750 –	9,800		518	13,750 –	13,800		730	17,750 –	17,800		942	21,750 –	21,800		1,154
	1,800 –	1,850		97	5,800 –	5,850		309	9,800 –	9,850		521	13,800 –	13,850		733	17,800 –	17,850		945	21,800 –	21,850		1,157
	1,850 –	1,900		99	5,850 –	5,900		311	9,850 –	9,900		523	13,850 –	13,900		735	17,850 –	17,900		947	21,850 –	21,900		1,159
	1,900 –	1,950		102	5,900 –	5,950		314	9,900 –	9,950		526	13,900 –	13,950		738	17,900 –	17,950		950	21,900 –	21,950		1,162
	1,950 –	2,000		105	5,950 –	6,000		317	9,950 –	10,000		529	13,950 –	14,000		741	17,950 –	18,000		953	21,950 –	22,000		1,165
	2,000 –	2,050		107	6,000 –	6,050		319	10,000 –	10,050		531	14,000 –	14,050		743	18,000 –	18,050		955	22,000 –	22,050		1,167
	2,050 –	2,100		110	6,050 –	6,100		322	10,050 –	10,100		534	14,050 –	14,100		746	18,050 –	18,100		958	22,050 –	22,100		1,170
	2,100 –	2,150		113	6,100 –	6,150		325	10,100 –	10,150		537	14,100 –	14,150		749	18,100 –	18,150		961	22,100 –	22,150		1,173
	2,150 –	2,200		115	6,150 –	6,200		327	10,150 –	10,200		539	14,150 –	14,200		751	18,150 –	18,200		963	22,150 –	22,200		1,175
	2,200 –	2,250		118	6,200 –	6,250		330	10,200 –	10,250		542	14,200 –	14,250		754	18,200 –	18,250		966	22,200 –	22,250		1,178
	2,250 –	2,300		121	6,250 –	6,300		333	10,250 –	10,300		545	14,250 –	14,300		757	18,250 –	18,300		969	22,250 –	22,300		1,181
	2,300 –	2,350		123	6,300 –	6,350		335	10,300 –	10,350		547	14,300 –	14,350		759	18,300 –	18,350		971	22,300 –	22,350		1,183
	2																							

Massachusetts

Department of

Revenue

PO Box 7011

Boston, MA 02204

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Dear Taxpayer,

Last year, more than one million taxpayers electronically filed their state income tax returns in the Commonwealth and received their refunds, on average, in four days. Unfortunately, many of those who filed paper returns did not receive their refund checks for three or more months. DOR is doing everything possible to streamline processing this year. Whether you use our popular telephone option, Telefile, or file using a DOR-approved commercial software package or tax preparer, the best way to guarantee a speedy refund is to e-file your return. If you need to make a payment, you can e-file early and have your payment electronically debited from your account as late as April 15th.

Please note that many DOR-approved tax preparation software packages this year will translate the line item entries on your return into a 2-Dimensional (2-D) bar code so that we can more quickly process your return. For a list of authorized software packages with 2-D bar coding, visit our website at www.mass.gov/dor.

Recent tax law changes have affected the tax rate, personal exemption amounts, treatment of capital gains, employment-related child and dependent care deduction, and Senior Circuit Breaker Credit. In addition, the Charitable Contributions deduction has been suspended. Please be sure to refer to the instructions in this booklet for guidance. For your convenience, DOR has reduced the amount of supporting documentation that needs to be enclosed with your return. Finally, new this year, you may report any use tax payments owed on out-of-state purchases directly on your income tax form rather than having to file a separate use tax return.

The staff at the Department of Revenue is committed to making this tax filing season as efficient as possible. For information or assistance, visit our website or call us at (617) 887-MDOR or, toll-free in Massachusetts, (800) 392-6089.

Sincerely,

A handwritten signature in black ink that reads "Alan LeBovidge". The signature is written in a cursive, flowing style.

Alan LeBovidge
Commissioner